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Attack Is Repelled By Lebanese Army At Key Chuf Town

Compiled by Our Staff From Dispatches

BEIRUT — The Lebanese Army repulsed an attack by Syrian-backed Druze and Palestinian forces on the key mountain town of Souk el-Gharb on Wednesday, and East Beirut was struck by the heaviest bombardment in this month's fighting, Beirut radio reported.

Attempts by the United States and Saudi Arabia to arrange a cease-fire were stymied, with both Lebanese and U.S. officials blaming Syrian intransigence for the breakdown of talks.

The state-run radio quoted a Lebanese Army communiqué as saying "the alien forces in Kaifoun and Aley attacked the army positions in Souk el-Gharb after preparatory heavy rocket and artillery bombardment."

"The army, retaliating with consecutive air and artillery strikes, forced the attackers to retreat, inflicting on them heavy losses in lives and equipment," the communiqué said.

The residence of the U.S. ambassador, Robert S. Dillon, was shelled for the second time in as many days. The ambassador was not at the hilltop residence in suburban Yarze when the rockets and artillery shells struck, his bodyguard reported.

U.S. Navy warships fired about 30 shells from five-inch guns Tuesday night after shelling forced Mr. Dillon to abandon the residence.

There was no indication that Navy guns responded to Wednesday's shelling of Beirut and its suburbs, which the police called the heaviest since Israel's withdrawal.

The Syrian government-controlled newspaper Tishrin said in an editorial Wednesday that "The United States has become a party in the fighting," and said this could lead to clashes between U.S. and Syrian forces.

In Washington, Secretary of State George P. Shultz blamed Syria for the intensified fighting near Beirut and charged Damascus may be seeking to dominate Lebanon.

Mr. Shultz supported a compromise worked out by the Reagan administration and congressional leaders to allow the 1,200 marines to remain in Beirut for 18 months.

"What we are doing in Lebanon is right," Mr. Shultz told the House Foreign Affairs Committee.

For the United States to "turn tail and beat it" by pulling out the marines in Beirut, Mr. Shultz warned, would be "totally incompatible with our role as a defender of freedom and justice around the world."

Mr. Shultz said, "The two tracks of Lebanon's policy — foreign troop withdrawal and national reconciliation — have both been blocked by Syria, which has been heavily rearmed by the Soviet Union since Syria's defeat in battle last summer."

Mr. Shultz accused Syria of using its influence within Lebanon to block the process of national reconciliation and said Damascus "is arming several factions against the legitimate government" of Lebanon.

While he said no one questions Syria's concerns over its own security, Mr. Shultz said, "The question arises whether Syria's aim is to assure its security or assure its domination of Lebanon."

President Ronald Reagan blamed Syria and the Palestine Liberation Organization for blocking progress for a cease-fire in Lebanon. "We still have reason to believe we can obtain that cease-fire," he told broadcasters at the White House, but "if this fails, the peace plan for the whole Middle East . . . I think also goes."

Mr. Shultz was less optimistic about the prospects for a cease-fire, saying an end to the fighting "will come about only when all parties conclude it is in their interest." He suggested Syria is not at that point.

Prince Bandar bin Sultan, the Saudi mediator, returned home from Damascus late Tuesday after his apparent failure to reconcile Lebanese and Syrian terms.

The Saudi plan proposes a truce along the present front lines, neutral observers to monitor it and eventually a national dialogue to decide Lebanon's political future.

But Lebanese government sources said that Syria, which has been negotiating on behalf of its Lebanese Druze allies, has insisted on excluding Lebanon's prime minister, Shafiq al-Wazzan, and its parliamentary speaker, Kamel al-Asaad, from taking part in the national dialogue.

"Lebanon cannot accept such Syrian terms," an official of the government of President Amin Gemayel said.

The Associated Press

Corazón Aquino, widow of the slain opposition leader of the Philippines, read an oath of freedom and democracy Wednesday to thousands of protesters in Manila at a rally to demand the resignation of the Marcos government.

Reagan Calls New Stance On Missiles 'Significant'

The Associated Press

WASHINGTON — President Ronald Reagan said Wednesday that he has authorized oew instructions for U.S. arms negotiators that represent "significant further development" of proposals aimed at reducing the risk of nuclear war in Europe.

The White House refused to disclose the oew position, but a U.S. official said Tuesday that the changes would include a willingoess to discuss limits on U.S. bombers that can carry either coonventional or nuclear bombs.

Also, the official said, the Russians would be told that an accord would lead to the United States cutting back on Pershing-2 as well as cruise missiles targeted on their territory.

The fast-moving Pershings are considered a much graver threat by Moscow than are the cruises. A total of 572 missiles are due to be deployed in Western Europe beginning in December.

Mr. Reagan said the revisions were the outgrowth of consultations among allied leaders.

He said that arms negotiator Paul H. Nitze "has received new instructions to pursue these U.S. initiatives with the Soviet negotiators in Geneva. These initiatives represent significant further development of the U.S. proposal for an interim agreement which the U.S. put forward last March. They address a number of Soviet concerns."

He called on the Soviet Union "to respond in a constructive manner."

The White House spokesman, Larry M. Speakes, refused to elaborate on Mr. Reagan's statement.

■ **Rowny Hopeful on START**

Earlier, Don Oberdorfer of The Washington Post reported from Washington:

The United States and the Soviet Union may be able to agree before the end of this year on overall guidelines for reducing their arsenals of long-range nuclear weapons, despite the current chill in their relations, according to an American negotiator.

Edward L. Rowny, the chief U.S. negotiator at the Strategic Arms Reduction Talks in Geneva, said Tuesday that be still hopes the two countries can reach such a preliminary agreement before Christmas. But he said that would depend on whether Secretary of State George P. Shultz and Soviet Foreign Minister Andrei A. Gromyko "are talking to each other" by then.

In an interview with editors and reporters of The Washington Post, Mr. Rowny said that a meeting between Mr. Shultz and Mr. Gromyko probably would be oecessary to complete such an agreement after the next round of detailed START negotiations in Geneva, scheduled to begin Oct. 6.

However, Mr. Rowny also said that December would be a watershed for related talks between the United States and the Soviet Union in Geneva on limiting medium-range ouclear weapons in Europe.

If no agreement is reached in those Intermediate Nuclear Force oegotiations before the scheduled December beginning of deployment of U.S. missiles in Western Europe, Mr. Rowny said, it is uncertain what will happen.

He said guidelines for reducing long-range ouclear weapons could include:

- Counting warheads rather than missile launchers.
- Setting an overall ceiling on warheads on each side.
- And agreeing on equality in total missile throw-weight, or lifting power.

Mr. Rowny said be believed the Russians want such an agreement because they already plan to reduce their big advantage in throw-weight by moving from large, multi-warhead missiles to smaller, mobile, single-warhead missiles.

He also said that Soviet negotiators are eager to limit the number

(Continued on Page 2, Col. 2)

The Associated Press

U.S. marines unload supplies from a helicopter Wednesday at Beirut International Airport as smoke rises in the hills from battles between the Lebanese Army and Druze militiamen.

The Associated Press

A protester lobs a bomb at troops outside the Malacanang presidential palace during riots in Manila on Wednesday.

7 Are Killed, Scores Injured In Manila Riot Against Marcos

By William Chapman

Washington Post Service

MANILA — At least seven persons were killed Wednesday night and scores injured in a confrontation between students and policemen that followed a large protest rally called to demand an end to the government of President Ferdinand E. Marcos.

AP

Ferdinand E. Marcos

It was the worst violence to grow out of a series of anti-government demonstrations that erupted after a Marcos foe, Benigno S. Aquino Jr., was slain a month ago. One student had been killed in an earlier encounter.

[The Associated Press said the authorities reported that more than 100 of those injured in the rioting had been hospitalized.

[The official Philippine News Agency reported that a firefighter and a marine corporal had been killed by explosions in the rioting 300 yards (274 meters) from the Malacanang presidential palace. Hospitals reported one other firefighter and four civilians dead of gunshot wounds and other injuries.]

After the peaceful rally, several thousand students broke away from the huge crowd and marched on the palace, hurling stones, bottles and small home-made explosives against a police line that at first fell back toward the palace gates.

More soldiers and policemen were rushed in, and they pushed the students back with shields, clubs, buses, water hoses and gunfire. Scattered fighting went oo for two hours.

The students burned two police buses used as barricades and left mounds of burning debris in the streets.

The main clash occurred oear a bridge that is famous as the site of another battle with government troops in 1972.

The reinforced police line waited for some time behind shields and barricades as the young attackers showered it with small explosives known here as "pillboxes."

Then the police and soldiers counterattacked using clubs, guns and small explosives of their own. Gunfire erupted on two occasions.

During the day, the police had been on the streets unarmed in compliance with government instructions to use caution. The military had warned that the rally would be infiltrated by radicals.

After the main battle ceased, there were sporadic incidents in several parts of Manila. A nonviolent protest swept through the financial district in suburban Makati.

The afternoon rally drew ooe of the largest crowds in the history of anti-Marcos protests here, perhaps exceeded only by the one that accompanied the funeral of Mr. Aquino. Estimates of its size ranged from 100,000 up to a half-million people.

It was led by Mr. Aquino's widow, Corazón, who made a pledge of continued struggle against Mr. Marcos. It was recited back by the crowd that overflowed a central Manila plaza less than a mile from the presidential palace.

The crowd listened in stifling heat and for four hours to their leaders, who demanded that the president resign and who called for the memory of Mr. Aquino to be kept alive.

"I will oot allow fear to stop me," Mrs. Aquino told the crowd. "Regardless of the cost I will defend freedom."

At noon, with the opposition visibly building in the nearby streets,

(Continued on Page 2, Col. 5)

Thatcher Says Soviet Threats Won't Halt Missiles

Compiled by Our Staff From Dispatches

BONN — Prime Minister Margaret Thatcher of Britain said Wednesday that neither threats nor propaganda from the Soviet Union would block deployment of U.S. missiles in Europe this year.

In an interview on West German television, Mrs. Thatcher also said that a pacifist campaign would not succeed in persuading the West to drop plans to deploy cruise and Pershing-2 missiles to counter Soviet SS-20 missiles that have been targeted against Europe.

In other developments:

- A Belgian Foreign Ministry spokesman said Wednesday that the West was ready to continue talks with the Soviet Union even after missile deployment starts. The Soviet Union has not committed itself to pursuing the talks after the missiles are installed.
- A disarmament expert for the West German opposition Social Democratic Party, Egon Bahr, said Wednesday that the Soviet president, Yuri V. Andropov, had shown new evidence of negotiating flexibility in a letter on ouclear arms limitation. But the U.S. State Department had said earlier that Mr. Andropov's proposal was oot new.
- The U.S. Senate Foreign Relations Committee decided Tuesday to send both a ouclear freeze resolution and an alternative calling for a so-called arms "build-down" to the Senate floor. But the resolution contained advisories that the panel had agreed with neither plan.
- The East German Protestant Church, running counter to the policy of the Communist government, demanded Tuesday that East Germany refuse to accept any new short-range ouclear missiles.

In her interview on West German television, Mrs. Thatcher said she believes the majority of West Europeans support plans by the North Atlantic Treaty Organization to begin missile deployment.

"I don't think one could be taken in by the peace movement or assume that the view of a smaller group is the view of the larger," Mrs. Thatcher said.

In a reference to the 572 Pershing-2 and cruise missiles that are scheduled to be deployed beginning in December in Western Europe, she said: "When our modernization goes in, which is Pershings and cruises, we shall take out simultaneously some of the older nuclear weapons."

Also referring to that date, the Belgian Foreign Ministry spokesman said Wednesday that the West has no deadline for U.S.-Soviet talks on the missiles in Geneva.

"The allies are ready to continue the negotiations even after deployment has started," the spokesman said. "If concrete results are obtained after deployment has started, the allies are ready to dismantle deployed missiles."

"On the part of the West, there is no deadline for the negotiations," he said.

The Soviet Union has not been explicit about whether it will keep talking once Western deployment starts. Western sources have expressed concern in the past that the Russians would break off the talks, at least temporarily.

Mr. Bahr, the disarmament expert for the Social Democratic Party in West Germany, said Mr. Andropov had shown new signs of oegotiating flexibility in a recent letter on nuclear arms limitation. The letter, published Tuesday by the Tass oews agency and addressed to members of the Bundestag from Mr. Bahr's party, outlined Soviet proposals for forestalling NATO deployment of the missiles.

Among the new signs of flexibility, he said, was a proposal for a full ban on testing nuclear warheads and missiles. But on Tuesday, the State Department said the plan contained nothing new.

Also oo Tuesday, the U.S. Senate Foreign Relations Committee failed to muster majorities for either a nuclear freeze resolution or an alternative calling for a "build-down" in nuclear arms and decided to send both to the Senate floor with notations that it agreed with oeither.

The Democratic-controlled House adopted a freeze resolution earlier this year. The Reagan administration has resisted the idea as simplistic.

The freeze resolution was defeated, 10-7. A substitute build-down proposal failed on an 8-8 tie.

Under the build-down proposal, the United States and Soviet Union could continue to deploy new weapons, which a freeze would forbid. But for each new weapon deployed, more than one old weapon would have to be retired.

In another development Tuesday, in Potsdam, the East German Protestant Church issued a direct challenge to the government by demanding that oo new short-range ouclear missiles be stationed in East Germany.

A church synod overwhelmingly approved the demand as part of a peace resolution. It also called on the authorities to allow closer contacts between East and West Germans.

Reagan Says UN Delegate's Remarks Meet With 'Hearty Approval' in U.S.

By David Hoffman

Washington Post Service

WASHINGTON — President Ronald Reagan said Wednesday that a U.S. official "had the hearty approval of most people in America" when be suggested that the United Nations would be welcome to move its headquarters out of the country.

In a luncheon interview with a group of broadcast journalists, Mr. Reagan referred to the comments earlier this week of a U.S. delegate, Charles M. Lichenstein, who suggested that the United States would welcome the departure of the United Nations from American soil.

"I think the gentleman who spoke for us the other day," Mr. Reagan said, "had the hearty approval of most people in America in his suggestion that we weren't asking anyone to leave but if they choose to leave, good-bye."

Mr. Lichenstein's comment came in response to criticism from a Soviet official after Foreign Minister Andrei A. Gromyko's decided not to attend the General Assembly session beginning this week because of travel restrictions imposed on him by the United States.

Mr. Reagan also said Wednesday that the chief U.S. delegate to the United Nations, Jeane J. Kirkpatrick, had made "an interesting suggestion . . . which should be thought about."

"Maybe all those delegates should have six months in the United Nations meeting in Moscow and then six months in New York," be said. "It would give them an opportunity to see two ways of life. And we'd permit them to go."

Mrs. Kirkpatrick made the suggestion in a television interview.

Before Mr. Reagan's comments, the chief presidential spokesman, Larry M. Speakes, said that the United States would "meet our obligations" under the treaty that established the United States as the host country for the UN headquarters.

Questioned whether, as a matter of policy, the administration wanted the world organization to remain in the United States, Mr. Speakes said, "Yes, sure."

Mr. Reagan is scheduled to speak to the General Assembly on Monday.

The White House announced that he would hold a reception Sunday for visiting diplomats attending the General Assembly meeting, but the criteria for invitations to the reception appear to exclude the Soviet Union.

Mr. Speakes said the reception would be for visiting heads of government and their foreign ministers, who may be accompanied by their permanent UN representatives. But, be said, the permanent representatives cannot attend alone. Thus, Oleg A. Troyanovsky, the Soviet permanent delegate, will not be invited until Mr. Gromyko reverses his decision not to attend the session.

■ **Envoy Declines to Quit**

Mr. Lichenstein said Wednesday that he had no plans to resign over his remarks, The Associated Press reported from New York.

Members of the House Arms Control and Disarmament Caucus and Americans representing non-governmental organizations affiliated with the UN had called for Mr. Lichenstein's resignation.

But in a telephone interview, Mr. Lichtenstein said, "I serve at the pleasure of the president."

Mr. Lichenstein told a the UN committee on host relations Monday that if UN members concluded they were not welcome in New York, the United States "strongly encourages such member states seriously to consider removing themselves and this organization from the soil of the United States."

He added that he and other U.S. delegates "will be down on dockside waving you fond farewell as you sail into the sunset."

INSIDE

France Said to Decode Swiss Bank's Client List

Reuters

PARIS — French customs officials, with the help of army code and computer experts, have discovered the names of more than 5,000 French residents holding illegal accounts in a Swiss bank, the French satirical weekly Le Canard Enchaîné said Wednesday.

The story, published in advance copies of Thursday's edition, gave no source for the information. It said bank officials had denied the existence of any list of names of French clients.

French customs authorities declined comment.

The oewspaper said French customs officials had managed to obtain three coded lists of French account holders of the Union de Banques Suisses since last November.

After the latest list was passed to the customs officials at the beginning of this year by a former UBS employee, the oewspaper said, the officials enlisted the help of French Army code experts, who after several months' work managed to decode the lists with the help of a computer.

The newspaper said that because the list contained only names, the investigators, a total of 400 police and customs officers, used France's income-tax computers to track down the addresses of many of the people listed.

Le Canard Enchaîné said that the investigators had been unable to connect some common French names with the proper addresses, but still had managed to trace more than 5,000 people.

It said that in the past two weeks hundreds of people on the lists, when contacted by investigators, had admitted holding money in the Swiss bank. France has strict rules governing the transfer of funds by residents to foreign accounts.

The newspaper said that documentation developed during the investigation would be used as evidence in court trials.

Le Canard Enchaîné said that when it approached officials of UBS for comment, the officials maintained that the lists were false. It quoted one as saying: "It is impossible for them to be authentic. We do not have a list of French clients."

The officials were aware that police inquiries were being made, the newspaper said.

It said the first list fell into the customs officers' possession in November 1982, when a convicted swindler tried to sell it to the police.

Officials were unable to break the code, Le Canard Enchaîné said.

But a few weeks later a second list was discovered by chance in the automobile of a UBS official crossing the French-Swiss border. When the third list was passed secretly to customs officers by the former UBS employee, the army code and computer experts were called in, the newspaper added.

"For UBS, this misadventure which has hit many of their clients is a catastrophe," it said, adding, "Confidence and discretion are the lifeblood of banking prosperity" for the Swiss.

Soviet Aide Acknowledges 'Mistake' In Shooting Down of Korean Jetliner

The Associated Press

EDINBURGH — A Soviet adviser acknowledged Wednesday that Soviet pilots made a "mistake" in shooting down Korean Air Lines Flight 7. He said that although the airliner was on a spy mission, the Soviet pilots would never have opened fire if they had known it was a commercial jet.

It was the first Soviet admission of error in the Sept. 1 shooting down of the South Korean jet, carrying 269 people, after it strayed into Soviet territory.

"Of course it was a mistake in the sense that the pilots took this plane for a reconnaissance plane," the adviser, Viktor Linnyk, said in an interview with the British Broadcasting Corp.

The BBC identified him as an adviser to the Soviet leadership and one of nine members of a Soviet delegation to an Edinburgh University conference oo East-West relations.

Mr. Linnyk said the pilots of the Soviet fighters that intercepted the jet "never thought it was a civilian plane."

"If they did, the decision would have been totally different," he said. "I am absolutely certain of that."

He referred to the United States' acknowledgement that a U.S. Air Force reconnaissance plane was operating over the north Pacific — well outside Soviet territory — at the same time the KAL jet flew over the Kamchatka peninsula, which is studded with top-secret Soviet military bases. Mr. Linnyk said the presence of the U.S. plane had made Soviet interceptor pilots "trigger-happy."

In Wakkanai, Japan, a Japanese maritime official said Wednesday that the United States might have located "crucial portions" of the wreckage of the South Korean airliner shot down over the Sea of Japan. Rear Admiral Masayoshi Kato of the Maritime Safety Agency did not specify what the portions might bave been or whether they had been recovered.

In Washington, the Pentagon dnty officer, Lieutenant Colonel Bill Hudson, and the Navy duty officer, Lieutenant Roger Still, said they had no information about U.S. vessels' locating crucial wreckage.

The search for wreckage — pitting a Soviet flotilla against U.S., Japanese and South Korean vessels — is focused on recovering the plane's two flight recorders, which might explain why the jumbo jet was off course.

U.S. officials in Washington said Navy salvage tug Narragansett had twice picked up and then lost the "pinging" signals from the so-called "black boxes" carried in the Boeing 747's tail section.

■ Soviet Harassment Charged

Michael Getler of The Washington Post reported from Washington:

The Defense Department charged that Soviet vessels in the Sea of Japan were harassing U.S. search vessels, sometimes in dangerous ways, in an effort to hlock the Navy from recovering the black boxes.

Officials said that the Soviet vessels, on at least three occasions, had pulled alongside or crossed closely in front of the two key U.S. salvage ships while they were under way. The U.S. ships took evasive action to avoid a collision and in the process broke their search patterns, the officials reported.

■ Pilots Reconsider Boycott

The French National Airline Pilots' Union has decided to continue its boycott of flights to Moscow for the time being but to work to suspend the international action, The Associated Press reported from Paris. The boycott has achieved the cancellation of some Air France flights from Paris to Moscow.

In Frankfurt, the West German Defense Ministry charged that Soviet jetliners using Frankfurt International Airport are equipped with hidden cameras to spy on NATO installations.

West German television showed films Tuesday of an Aeroflot passenger plane with lens-shaped bulges on the fusilage parked on the airport tarmac.

Watt Jokes About Mix Of People on Coal Panel

The Associated Press

WASHINGTON — Interior Secretary James G. Watt said Wednesday that the commission he has appointed to study his coal leasing program has "every kind of mixture you can have. I have a black, I have a woman, two Jews and a cripple. And we have talent."

Mr. Watt's comments, before an audience of business lohbyists at the U.S. Chamber of Commerce, hrought laughter, but he was later asked by someone in the audience whether such comments were wise in light of criticism the Reagan administration had received from members of minority groups.

"It shows you don't have a sense of humor," Mr. Watt said, "if you can't laugh at yourself."

He praised the members of the Commission on Fair Market Value Policy for Federal Coal Leasing as an "extremely fine group of people — and I'll never apologize for that."

The commission was established by Congress and its members appointed by Mr. Watt last summer to investigate allegations that the interior secretary's ambitious coal leasing program has cost taxpayers $100 million in lost bid revenues.

He said the commission, which is to make recommendations for reforming the leasing program, is made up of three Democrats and two Republicans.

The commission is headed by David Linowes, an economics professor at the University of Illinois. Its other members are Donald C. Alexander, a former Internal Revenue Service commissioner; Andrew Brimmer, a former member of the Federal Reserve Board; Julia Walsh, a Washington investment adviser, and Richard L. Gordon, a professor of mineral economics at Pennsylvania State University.

Mr. Gordon, asked where he fit in Mr. Watt's classification, said: "I am the Jew and the cripple, if you want to call someone who has a paralyzed arm a cripple."

Asked if he was offended by Mr. Watt's characterization of the commissinn members, Mr. Gordnn said: "I am not thrilled with the comment." But he said the remark would not affect his work in passing judgment on Mr. Watt's program.

Mr. Linowes, who said he is Jewish and a Democrat, said Mr. Watt had called him after the speech to explain that his comments were meant as a joke.

■ Senate Rebukes Watt

The Republican-controlled Senate has emphatically rebuked Mr. Watt, voting 63-33 to place a moratorium on the leasing of federal coal reserves until the commission and Congress can review his practices, The Washington Post reported.

Nearly two dozen Republicans joined Tuesday with most Democrats in reversing an earlier 51-48 vote by which the Senate had refused to go along with the House in calling for a delay in further coal leasing.

The lopsided Senate vote followed the Interior Department's offer last week of leases on 540 million tons of coal in North Dakota, in defiance of a House Interior Committee directive that the offering be delayed for environmental reasons.

In a sharp debate Tuesday, Senator Dale Bumpers, an Arkansas Democrat who was the chief sponsor of the moratorium, accused Mr. Watt of "thumbing his nose at the House."

Italian Deputies Vote to Authorize Arrest of Negri

Reuters

ROME — Italian lawmakers voted Wednesday to authorize the immediate arrest of Toni Negri, one of its newly elected deputies, on charges of terrorism. The national news agency ANSA, meanwhile, said that Mr. Negri was in France.

The vote by the Chamber of Deputies was 287-75, with 227 abstentions.

Mr. Negri, a 50-year-old academic, was accused of inspiring a series of Red Brigades attacks in the 1970s. His trial was suspended and he was freed from jail after winning a deputy's seat, with parliamentary immunity, in last June's general election.

On Tuesday night, the deputies voted in favor of resuming Mr. Negri's trial and later narrowly rejected a leftist proposal to delay his arrest pending his conviction.

New Stance At Geneva

(Continued from Page 1)

of two new U.S. nuclear weapons: the air-launched cruise missiles and Trident-2 submarine-launched missiles.

If all goes well, Mr. Rowny said, an accord similar to that reached at Vladivostok in 1974 could be formalized next year at a meeting between President Ronald Reagan and the Soviet leader, Yuri V. Andropov.

The Vladivostok agreement set the framework for the SALT-2 nuclear arms-control treaty.

Before the incident Sept. 1 in which a Korean Air Lines passenger jet was shot down by a Soviet fighter, Reagan administration officials had expected that Mr. Shultz would be able to discuss substantial arms-control questions in a lengthy meeting with Mr. Gromyko in Madrid on Sept. 8, and in later meetings at the United Nations in New York.

Consideration was being given to inviting Mr. Gromyko to meet with Mr. Reagan in Washington if the New York talks went well, the sources added. Such a meeting could have established the groundwork and precedent for a Moscow meeting between Mr. Shultz and Mr. Andropov, which could have led to a Reagan-Andropov summit a few months later, they said.

U.S. to Favor Independents In East Bloc

Bush Offers Greater Aid To Those Defying Soviet

By William Drozdiak

Washington Post Service

VIENNA — Vice President George Bush said Wednesday that the Reagan administration will extend greater political and economic support to East European countries such as Hungary and Romania that seek to assert a more independent line from the Soviet Union.

Mr. Bush added that the United States would not reward "closed societies and belligerent foreign policies" among pro-Soviet regimes in East Germany, Bulgaria and Czechoslovakia, which he accused of violating human rights and supporting terrorism.

In a sharply worded address here at the end nf a seven-nation tour through North Africa and Central Europe, Mr. Bush said the administration rejected the notion of a divided Europe and was prepared to encourage Soviet-bloc countries to embark on reforms that would open new channels to the West.

A senior Western diplomat here called the speech "remarkahly tough" in its open exhortation to East Europeans to spurn Soviet domination.

Mr. Bush interspersed his appeal to East-bloc countries with harsh condemnation of the Soviet Union, denouncing Moscow for its military buildup and the "brutal murder" of 269 people on the South Korean jet that was shot down Sept. 1 in Soviet airspace.

"What are we to think of leaders who compound such brutal deeds with hald and careless lies and who respond to the just inquiries of the international community with ntter contempt?" Mr. Bush said before the Austrian association of foreign policy.

He disputed the view that the Yalta summit conference after World War II split Europe into "spheres of influence" between the great powers, saying, "We recognize no lawful division of Europe."

The United States, Mr. Bush said, wanted to establish good relations with East European countries based on "three basic aspirations: freedom, prosperity and peace."

But he said U.S. policy was "one of differentiation, that is, we look to what degree countries pursue autonomous foreign policies, independent of Moscow's direction."

Mr. Bush said that some nations had "introduced greater openness in their societies, lowered barriers to human contacts and engaged in market-oriented reforms. Others, unfortunately, continue to toe the Soviet line."

Citing Hungary and Romania, he said the United States would improve "political, economic and cultural relations" with East-bloc countries that assert greater independence.

But he ruled out any cooperation with "countries such as Bulgaria and Czechoslovakia, which continue to flagrantly violate the most fundamental human rights, or East Germany, and again Bulgaria, which act as proxies to the Soviets in the training, funding and arming of terrorists."

During a four-hour meeting with President Nicolai Ceaucescu of Romania, Mr. Bush was impressed hy his relative independence on defense matters and his interest in seeing the arms race halted, according to a member of the vice president's delegation.

Mr. Ceaucescu has refused to allow Warsaw Pact maneuvers to be held on Romanian soil, and has personally sought a formula to break the deadlock in Geneva.

The Associated Press

Piles of garbage, uncollected by striking sanitation workers, mount in front of the city hall in Brussels.

Belgium's Christian Unions Accept Proposals to Halt Weeklong Strike

Reuters

BRUSSELS — One of Belgium's two main trade union federations accepted on Wednesday government proposals aimed at ending a weeklong strike in transport and other state services, a government minister reported.

Interior Minister Charles-Ferdinand Nothomb said after more than eight hours of talks that the Christian unions had endorsed the proposals. He said the Socialists, the other major trade union group, were due to respond later Wednesday night.

Mr. Nothomb, who headed the government team in the talks with the unions, said leaders of the Christian unions would now recommend acceptance of the package to their members.

It includes a government pledge to maintain public service staffing at January 1983 levels, to adjust proposals on salary payment dates and to preserve the present pensions system.

The strike has left Belgium with no public transportation and erratic mail service. The port of Antwerp and the Brussels airport are idle, many schools are closed and the state-owned radio and television networks sharply reduced their service.

7 Killed, Scores Injured In Anti-Marcos Rioting

(Continued from Page 1)

Mr. Marcos went on national television and said he was more "saddened than angered" by the demonstration.

He said such discord would jeopardize the country's economic stability and then laid ont a 10-point program of economic measures he said "will lighten the burden on the private sector."

Mr. Marcos promised to cancel planned increases in social security premiums, "discourage" college tuition increases, and reduce government intrusion in private business.

The measures were the latest of several attempts by Mr. Marcos to defuse the opposition, which has used Mr. Aquino's death to mobilize many new supporters against the president.

Mr. Aquino was the major political threat to Mr. Marcos, and there is a widespread belief here that someone in the government ordered him killed. A series of recent protests have demanded that Mr. Marcos resign, but Tuesday he repeated once again his refusal to step down.

Anti-American signs were prominently displayed at Wednesday's rally by those in the diverse opposition, which accuses the Reagan administration of supporting Mr. Marcos.

A large banner depicting a crowd storming up a hill toward the president and his wife, Imelda, carried the slogan: "Oust the U.S.-backed Marcos regime."

Signs read "Down with the U.S." and called for an end to the "U.S.-Marcos dictatorship."

Others said, "Reagan stay home — go to hell," a reference to President Ronald Reagan's scheduled visit here in November.

Leftist student demonstrations here frequently have an anti-American flavor and usually demand cancellation of agreements that permit the operation of large U.S. naval and air bases. But until Wednesday, the anti-American theme had not been prominent in the protests arising out of Mr. Aquino's murder.

The protest was organized by a spectrum of opposition groups led by such figures as Salvador H. Laurel, who recently resigned as senator, Diosdado Macapagal, a former Philippine president, and José B. Laurel, president of the Nacionalista Party.

WORLD BRIEFS

672 Are Banned From Turkish Ballot

ANKARA (AP) — Turkey's ruling generals Wednesday struck from the ballots 672 of 1,683 candidates running for parliament in elections scheduled for Nov. 6.

Worst hit were independent candidates, with 428 out of 483 failing to receive the required approval of the National Security Council. The remaining vetoes were evenly distributed among the three parties permitted by the generals to participate.

The Conservative Nationalist Democracy Party, set up with encouragement from the military, received 74 vetoes. The free enterprise-oriented Motherland Party of Turkey's former economic czar, Turgut Ozal, had 81 candidates considered unfit to seek elective office. The moderate left Populist Party had 89.

U.S. Priest Is Said to Die in Honduras

TEGUCIGALPA, Honduras (AP) — A Jesuit priest from the United States who had joined leftist guerrillas died of exhaustion while trying to flee Honduran troops, a military spokesman said.

Colonel César Elvir Sierra said the Rev. James Francis Carney, 48, of Saint Louis, Missouri, died while trying to escape with a rebel force in the jungles of Olancho province during a government sweep of a mountainous area near the Nicaraguan border. He provided no other details on Father Carney's death, but he said a guerrilla leader, José Maria Reyes Mata, also was killed Sunday during the drive. U.S. Embassy officials declined comment.

Father Carney was expelled from Honduras in 1979 after being accused of trying to organize a peasant revolt, according to acquaintances. They said that, except for a few months in the United States, he had spent most of his time since then in Nicaragua.

Iran Says Damaged Well Is Capped

NICOSIA (AP) — Iran said Wednesday that it has capped a war-damaged oil well that has been spewing crude into the Gulf for nearly seven months. The Tehran government made the assertion on the third anniversary of Iraq's invasion.

The well, in the Nowruz field in the northern end of the Gulf, was capped by Iranian experts working without foreign assistance, Iran's IRNA news agency said, quoting the Oil Ministry.

The leaking well created a huge oil slick that has been floating about the Gulf, threatening marine life and the desalination plants of the states in the region. The well was damaged in an Iraqi air raid March 1. Various estimates put the spillage from 2,000 to 5,000 barrels of crude oil daily.

Hitler Diaries Reporter Leaves Jail

HAMBURG (AP) — The reporter who obtained the fake Hitler diaries was freed from jail Wednesday and "completely cleared" of suspicion, his attorney said.

The attorney, Holger Schroeder, of Hamburg said Gerd Heidemann was cleared of allegations that he helped a Nazi regalia dealer, Konrad Kujan, forge the 62 handwritten volumes and kept part of the 9.34 million marks (about $3.75 million) Stern magazine paid for the bogus books.

Mr. Heidemann, 51, was fired from Stern and accused of fraud by his former employer last May after the federal government exposed the diaries as "crude fakes." He was jailed May 26 and released Aug. 2 but was rearrested 24 hours later when prosecutors convinced a higher court he might tamper with evidence or flee the country.

Argentine A-Bomb Report Dismissed

VIENNA (Reuters) — International press reports that Argentina is secretly planning to develop a nuclear arsenal were dismissed as unfounded Wednesday by officials at the United Nations International Atomic Energy Agency.

"All Argentina's nuclear reactors are under IAEA safeguards," an official said, "and they could not divert nuclear materials undetected. It is pure speculation." IAEA officials added that Argentina could develop the bomb only hy obtaining nuclear fuel from outside sources. "It is not likely that they could achieve that," one official said.

Several newspapers reported this week that a U.S. intelligence document revealed that the Argentine government was devising ways to divert nuclear fuel from under the noses of IAEA inspectors. The reports also said Argentina had built nuclear plants that were not monitored by the Vienna-based UN agency.

Herzog Asks Shamir to Form Cabinet

JERUSALEM (WP) — Foreign Minister Yitzhak Shamir has been asked formally by President Chaim Herzog to form the next Israeli government.

After a meeting with Mr. Herzog Wednesday at the president's residence, Mr. Shamir asked the opposition Labor alignment to join the ruling Likud bloc in establishing a "government of national unity."

However, the prospects of such a government are considered slim both because of the ideological differences between the two sides and the practical considerations of who would be in the cabinet.

For the Record

AJACCIO, Corsica (AP) — The clandestine Corsican National Liberation Front on Wednesday claimed to have carried out the recent assassinations of a government official, Pierre-Jean Massimi, and a restaurant owner, Felix Rosso. It said the two had been the "principal organizers" of the disappearance and alleged murder of a nationalist militant, Guy Orsini, in June.

SANTIAGO (AP) — The military government Tuesday dropped slander charges against the opposition leader, Rodolfo Seguel, and freed him after 12 days in prison, following an appeal by the Catholic Church. He had been on a hunger strike since Sept. 9.

MARIETTA, Georgia (AP) — Kathryn McDonald, 34, widow of Representative Lawrence P. McDonald, who was killed aboard the Korean airliner shot down by the Soviet Union, announced Wednesday she will run for his seat in the special election in Georgia Oct. 18.

SINGAPORE (UPI) — King Hussein of Jordan arrived in Singapore on a private visit Wednesday and expressed fears about the situation in Lebanon. "It is one of the most dangerous and sad periods of our people in the entire area," he said.

Mondale: A Master of Detail

Democrat Adapts Easily but Stays True to Early Beliefs

By Michael Barone

Washington Post Service

WASHINGTON — When Walter F. Mondale was studying European history at Macalester College in Minnesota, he went to a rally for Henry Wallace, who was running for president. It was 1948, just after the Soviet takeover of Czechoslovakia, and "Wallace defended it. I got up and walked out," Mr. Mondale says.

Mr. Mondale decided right there that he wanted nothing to do with Wallace's branch of the Democratic Party.

In those years, at least according to recollections, few students were interested in the minutiae of European politics; in a time of economic uncertainty, just after a major war, they were working hard to get ahead.

And it does not seem likely that the 20-year-old Mr. Moodale showed many outward signs of a particular interest in politics. He was good at sports in high school and remembered "laughing all the time." Yet, by the end of 1948 he had managed two winning campaigns and had made a significant beginning on making the contacts — and establishing the record — that make him today the front-runner for the Democratic presidential nomination.

Mr. Mondale had the good fortune to become politically active at a time when Minnesota's Democratic-Farmer-Labor Party was young. But leaders like Hubert H. Humphrey — then 37 years old — did not step into a vacuum.

Mr. Mondale was working in a canning factory in Faribault, near his parents' home in the tiny town of Elmore, and asked his friend, Donald Fraser — later congressman and now mayor of Minneapolis — if he could help organize for Humphrey in the mostly rural Second Congressional District.

Mr. Fraser said he had no money, and Mr. Mondale asked, "Would you object if I did it anyway?" The Humphrey forces won control of the Democratic-Farmer-Labor Party and carried the state for Truman and Humphrey.

Mr. Mondale's father knew misfortune: he lost several farms in the depression of the early 1920s, his wife died shortly after, and he barely survived a case of lockjaw. A minister — a Methodist in a predominantly Lutheran state — in a town of 2,000, he was transferred to a town of 600. He remarried, and his son, Walter F. Mondale, was born when he was 52.

THE CANDIDATES

This is one in a series of occasional articles about the men who are seeking the Democratic nomination for U.S. president in 1984.

In photos he looks dour, but Mr. Mondale remembers his father as "having a great sense of humor. He was very optimistic, a happyman. He was always laughing."

The elder Mondale was what would later be called a liberal. In the 1930s he made sure that his sons knew that people needed help with food; he spoke out against racial discrimination; after Hiroshima, he preached on the dangers of atomic weapons.

Finlay Lewis, in his biography, "Mondale: Portrait of an American Politician," tells how Humphrey talked to Mr. Mondale's fatally ill father after a 1948 rally. Two years later at 22, Mr. Mondale was asked to manage Orville Freeman's campaign for Minnesota attorney general; Mr. Mondale went on to manage Mr. Freeman's successful gubernatorial campaigns in 1956 and 1958 and was the Democratic-Farmer-Labor Party's state finance director.

The conventional wisdom about Walter Mondale is that he reached each office he held by appointment. The fact is that in each case he worked himself into a position where his appointment was the likely decision. No one anticipated that the office of state attorney general would be open in April 1960; the incumbent, Miles Lord, had a ferocious temper, and resigned after a dispute with Mr. Freeman. Mr. Mondale, who had proved himself by careful attention to detail, was a logical appointee, although only 32.

Once in office, he studied the statute books. He found powers that other attorneys general had never used, and — using them expansively but carefully — established himself as the Democratic-Farmer-Labor Party's strongest vote-getter, after Senator Humphrey and Senator Eugene J. McCarthy.

He was also given the task of negotiating the difficult details in the Mississippi Freedom Democratic Party's credentials challenge at the 1964 national convention. So Mr. Mondale was the natural choice to succeed Humphrey when he became vice president.

Without Mr. Lord's resignation and Humphrey's elevation, it is unlikely that Mr. Mondale would have risen to high statewide office by age 36. But he was a very good bet to be governor or senator sooner or later, and perhaps a national candidate as well.

He was criticized by some, including Jimmy Carter, for withdrawing from the 1976 presidential campaign as early as 1974. Perhaps he perceived that there was oot much of an opening that year for a candidate who, by that time, approached issues as a Washington insider.

Mr. Mondale's political career is a story not of a listless protégé, but of an ambitious man who worked hard, mastered details, defused difficult problems and moved relentlessly ahead of others, some of whom started out with more advantages.

Among the presidential candidates, only Ernest F. Hollings has a career in electoral politics that goes back as far; Mr. Mondale is one of the few active politicians (Ronald Reagan is another) for whom the post-World War II fights between Soviet sympathizers and anti-Communist liberals were a searing personal experience.

Mr. Mondale adapts to new issues and new times. Yet his basic stands, and his driving ambition, do not seem so different today from those of the 20-year-old college student who came from the tiny town of Elmore and suddenly launched a political career that has already turned out as successfully as just about any American of his generation.

The Associated Press

Walter F. Mondale, the Democratic front-runner.

Mondale Backs Navy Role in Lebanon, Faults Reagan on Danger to Marines

Washington Post Service

NEW YORK — Former Vice President Walter F. Mondale has endorsed the U.S. naval shelling of anti-government forces in Lebanon but has blamed the Reagan administration's "policy illusions" for putting marines "in jeopardy."

In a speech and question-and-answer session oo Middle East policy before the Conference of Presidents of Major American Jewish Organizations on Tuesday, Mr. Mondale said there were "a lot of dangers" in Monday's decision to put U.S. naval firepower into the battle for the strategic heights overlooking Beirut.

"But as long as the marines are there they have to be protected," said Mr. Mondale, who is seeking the Democratic presidential nomination.

He criticized the Reagan administration for missing "a golden moment" to obtain peace in Lebanon a year ago, when Israel had routed the Palestine Liberation Organization and Syrian forces. Now, he said, the PLO leader, Yasser Arafat, "is back in Lebanon and the marines are being killed."

Advisers Urging Reagan To Seek Space Station

By John Noble Wilford

New York Times Service

NEW YORK — President Ronald Reagan is said to be under pressure from his political strategists to endorse a major new space endeavor, the orbiting space station, as a tactical move against Senator John Glenn, the former astronaut who could be Mr. Reagan's Democratic oppooent in the next election.

Administration officials say the president is being encouraged to announce the project, estimated to cost $6 billion to $9 billion by 1991, to neutralize Mr. Glenn's "hero image" and demonstrate a commitment to maintaining U.S. leadership in space technology.

The National Aeronaotics and Space Administration has lobbied vigorously in recent months to win support for the space station as "the next logical step" in the natioo's space program. In July, the agency said that if development began oext year, a large space station could be sent into orbit by 1991.

Although the project has strong backing in Congress, in the aerospace industry and among scme in the White House, oppositioo has been raised by the Defense Department, the Central Iotelligence Agency and the Office of Management and Budget.

Both the Pentagon and the CIA cootend that there is oo military or intelligence-gathering mission for the space statioo that could not be done as well and at less cost with unmanned satellites.

The National Academy of Sciences issued a report last week saying there was no immediate scientific need for the station, but acknowledging "the possibility that a suitably designed space station could serve as a very useful facility in support of future space science activities."

Bruce Abel, press secretary to the president's science adviser, George A. Keyworth 2d, emphasized Tuesday that no decision has been reached by the administration and that no announcement appeared to be imminent.

Report by GAO 'Raises Questions' About Meese Loan, 3 in House Say

By Charles R. Babcock

Washington Post Service

WASHINGTON — Three members of the House of Representatives have asked the Justice Departmeot to review a General Accounting Office report that "raises questions" about the handling of $60,000 in loans given to Edwin Meese 3d, counselor to President Ronald Reagan, by a presidential appointee.

The report, released Tuesday, said Mr. Meese owed $20,000 in interest on the loans as recently as last month, including $7,500 that he failed to report as a gift on his latest financial disclosure statement.

The loans were arranged in 1981 by his personal accountant, John R. McKean, while Mr. Meese and another McKean client, the White House deputy chief of staff, Michael K. Deaver, were getting Mr. McKean a $10,000-a-year presidential appointment to the U.S. Postal Service board of governors.

Mr. Meese said Tuesday that the GAO report showed that there was "no wrongdoing" and that the $60,000 loan and $20,000 in interest were paid within the last month, after he took out an $80,000 bank loan.

"The important thing is that the loan has been paid back, as was intended," Mr. Meese said. "That was always the case." He said he would, if necessary, work with the White House counsel, Fred F. Fielding, to amend his financial disclosure statements.

Mr. McKean could not be reached for comment.

In a letter Tuesday to Attorney General William French Smith, three Democratic members of House Post Office and Civil Services Committee said the GAO report "raises questions concerning the circumstances surrounding the oomination and confirmation of Mr. McKean."

Representative William D. Ford of Michigan, chairman of the committee, and two of his subcommittee chairmen, Robert Garcia of New York and Mickey Leland of Texas, also sent copies of the report to Mr. Fielding, the Senate Ethics Committee, and the Office of Government Ethics, which reviews executive branch disclosure forms, and asked each of them to review the matter.

Mr. Meese and Mr. McKean have said there was no connection between the loaos and Mr. McKean's appointment.

A Justice Department spokesman said Tuesday that Attorney General Smith had no comment.

Mr. McKean arranged a total of $60,000 in loans to Mr. Meese in July and December, 1981, from an office "investment pool" of other clients' money, the GAO report said.

Mr. Meese's financial disclosure statements show that he put up no collateral for the loans in 1981, that the principal was not due until Mr. McKean demanded it and that the interest, from 18 to 21 percent, was payable annually.

Mr. McKean was nominated in November 1981 to fill a five-year opeoiog on the Postal Service board. The report noted that Mr. McKean made no mentioo of his "fiduciary" relationship with Mr. Meese when asked about such responsibilities during his confirmation process.

De Lorean Lawyers Say Polygraph Clears Him

By Jay Mathews
Washington Post Service

LOS ANGELES — According to attorneys for John Z. De Lorean, the former auto maker, their client has passed a polygraph test showing that he did not enter intentionally into a $24-million cocaine-trafficking scheme as alleged by federal prosecutors.

Mr. De Lorean's polygraph, or lie detector, test was conducted, and its results attested to, by two polygraph experts. The unexpected release of the results Tuesday was the strongest move to date by Mr. De Lorean and his attorneys to clear his name.

Although polygraph tests rarely are admitted as evidence in federal cases, the results are expected to complicate government efforts to convict Mr. De Lorean on the basis of testimony by James T. Hoffman, a convicted drug trafficker and government informer who says Mr. De Lorean asked him to join a drug deal.

Three of Mr. De Lorean's attorneys — Howard Weitzman, Donald Re and Mona Soo Hoo — also disclosed what they said was secret grand-jury testimony by Mr. Hoffman alleging that Mr. De Lorean told him he had engaged in drug trafficking before and had helped start his sports car company in Northern Ireland "through a drug transaction."

In the polygraph examination, according to a letter from two University of Utah specialists, David C. Raskin and Charles R. Honts, Mr. De Lorean denied that he had discussed drugs with Mr. Hoffman before 1982, denied that he had proposed a drug transaction to Mr. Hoffman and said it was Mr. Hoffman who had proposed the drug deal.

The experts said indications of Mr. De Lorean's truthfulness from measurements of his breathing, skin condition, blood pressure, pulse and heart rate "were unusually strong and clear." He registered the maximum attainable score on a computer analysis of the results, they said.

Mr. De Lorean's attorneys have asked U.S. District Judge Robert M. Takasugi for permission to use the polygraph results in arguing for dismissal of the nine-count indictment against Mr. De Lorean on the ground of "outrageous government conduct."

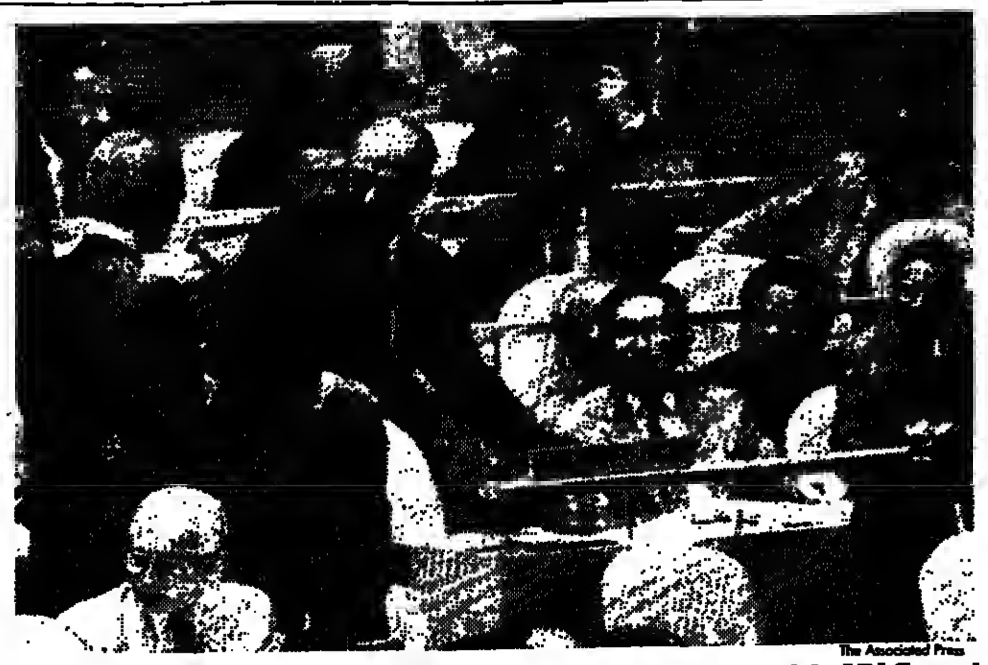
They said in their application filed in Los Angeles that the polygraph results "show that De Lorean was set up and that the government, and its agents, lied about it. The ramifications of these facts to this case, and to government narcotics prosecutions in general, are enormous."

Mr. Hoffman has told prosecutors that Mr. De Lorean, once his neighbor in San Diego, met with him July 11, 1982, and said he "wanted to invest up to $2 million" in heroin to save his faltering company.

Assistant U.S. Attorney James Walsh, chief prosecutor in the case, declined to comment on Mr. Hoffman's alleged statements to the grand jury or on the De Lorean polygraph test results.

Mr. Raskin, a psychology professor at Utah, said in a telephone interview that he had tested Mr. De Lorean on Saturday in Salt Lake City.

He noted that research has shown that a person who is psychotic and sincerely believes he is telling the truth could fool the machine, "but I can't imagine that that is a factor in this particular case. The man is not psychotic by any means."



NEW PRESIDENT — A smiling Jorge Illueca is escorted to the dais of the UN General Assembly to take a seat as president of the 38th session. Mr. Illueca, Panama's vice president, defeated Ambassador Davidson L. Hepburn of the Bahamas in an 83-70 vote.

New U.S. Justification of Covert Role In Nicaragua Set Out by Shultz, Casey

By Joanne Omang
Washington Post Service

WASHINGTON — Secretary of State George P. Shultz and the director of central intelligence, William J. Casey, have offered Congress a new justification for covert U.S. activity against Nicaragua, stating that its purpose is to pressure the leftist Sandinist government into stopping its efforts to export revolution.

Sources said the stance, presented to members of the Senate Intelligence Committee in a closed meeting, was a significant shift in emphasis from previous administration explanations that covert U.S. aid to anti-Sandinist rebels was aimed specifically at stopping the flow of arms from the Sandinists to leftist guerrillas in El Salvador.

Instead, the sources said, the covert aid can now be justified as being necessary as long as Nicaragua helps leftist guerrillas anywhere in Central America.

The new justification is consistent with recent Reagan administration demands that the Sandinists change their overall behavior in Central America. The administration has vehemently denied that it supports the avowed goal of the anti-Sandinist rebels to overthrow the Nicaraguan government.

In a statement after Tuesday's meeting, Senator Barry Goldwater, the Intelligence Committee chairman, said he expects the committee to decide whether to approve the administration's new position by the end of the week. Approval would put before the Senate the question of continuing the estimated $80-million program of aid to anti-Sandinist rebel forces.

The committee voted last May to continue funds for covert action in Nicaragua after Oct. 1 on the condition that President Ronald Reagan provide "a redefined position on Central America," Mr. Goldwater, an Arizona Republican, said at the time. "We want him to tell us in plain language just what it is he wants to do relative to Nicaragua and the other countries."

The sources said Tuesday's meeting was "not heated" despite the presence of several prominent administration critics and what they described as some "very tough questioning." They said committee members "seemed inclined to support the proposal."

In the House, William E. Colby, a former director of Central Intelligence, urged the Intelligence Committee to reject proposed new curbs on the agency's covert actions abroad. He said the proposed curbs were not the proper response to Congress's frustrations over being unable to keep track of Central Intelligence Agency activities.

Mr. Colby was the opening witness at three days of committee hearings on legislation sponsored by Representative Wyche Fowler Jr., Democrat of Georgia, that would require the administration to give prior notice to the House and Senate Intelligence committees of any covert action; the committees then would be able to veto such action. Existing law requires only that Congress be "fully and currently informed" of "significant" activity. It offers no remedy other than a fund cutoff afterward.

Covert action also would have to be preceded by a written presidential finding to the committees that the action was essential to U.S. security, consistent with stated U.S. foreign policy, and necessary despite its risks because extraordinary circumstances meant that overt or less sensitive tactics could not accomplish the goal. Wartime operations would be exempt from the restrictions.

Pretoria's White Knight Heads Into Battle Again

Pik Botha, After Period of Inactivity, Is Campaigning for New Constitution

By Joseph Lelyveld
New York Times Service

PRETORIA — In the eyes of his admirers in the white electorate, Foreign Minister R.F. Botha had been a dauntless paladin who swashbuckled out into a hostile world to do rhetorical battle with anyone who sullied his country's name.

Then, a little less than two years ago, he started to seem subdued and, except for occasional statements on what he viewed as the hypocrisy and double standards of the United Nations, almost as if he wanted to be ignored.

Noting that he had lost weight, to the point of sometimes looking drawn, and that his speeches in Parliament had lost their combative edge, those who find white politics in South Africa an engrossing subject began to wonder whether Mr. Botha, or "Pik," as he is universally known, was experiencing a midlife crisis.

He was still one of the youngest members of the cabinet, but his name seldom figured when there was speculation about the leadership sweepstakes in his party. There were even rumors, fed partly by his own ambiguous remarks, that he might retire. The supposedly informed opinion said that what Pik Botha was really experiencing was a loss of influence on the top military advisers to Prime Minister P.W. Botha, who is no relation.

In an interview in his Cape Town office, the foreign minister seemed eager to dispel the idea that he had gone into eclipse. But, for the first time, he also acknowledged that the idea of retirement had more than crossed his mind. What was ailing him, he said, was not any loss of influence on the generals but the wayward course of racial reform in South Africa.

"I must admit that I decided at one stage to leave," he said. The decision was prompted by one in a series of efforts to paper over the differences between the extreme right wing of the governing National Party and those who saw a need for change.

Years before, it had been Pik Botha who, in his salad days as his country's delegate to the United Nations, had promised that South Africa would move away from what he calls, in a phrase that others find studded with verbal escape hatches, "hurtful and negative forms of discrimination based on color."

But then he began to feel that some of his fellow Nationalists — notably Andries P. Treurnicht, the right-wing leader — had no intention of moving at all.

"I decided that I would be dishonest with myself if I sat much longer in the cabinet with people with those views," he said, adding that he told his wife that he would announce his decision to quit after getting his ministry's budget passed in Parliament in the 1982 session. A few weeks before the appointed moment, the governing party split and Mr. Treurnicht led his followers to the opposition side of the house.

"That saved my career, so to say, in a quite dramatic way," said the foreign minister, who is 51 years old.

The white electorate is now being wooed in a bitterly fought campaign to ratify a new constitution that would give two nonwhite minorities — "coloreds," as people of mixed race are known here, and Indians — a limited role in national government for the first time in South Africa's history. And Mr. Botha, still the biggest crowd puller the governing party has, is going forth to do battle again, assailing the right and left and warning wavering Afrikaners that their good name in the world depends on a decisive yes vote.

"The constitution is not perfect," he said. "I don't think it's wonderful. Neither is it the lesser of a number of evils. It is a true reflection of the realities existing today in this country, holding real promise for co-operation and understanding."

The inevitable question about the blacks, who account for 72 percent of the population, and their exclusion from the new structure started Mr. Botha on a new train of thought. He pointed out various features of the African scene that might escape the foreigner's eye.

It was an Africa full of ethnic conflict, festering factionalism, abuse of power and economic collapse. The West has been slow to recognize this reality, he said, but he understands it because he is in constant touch with African leaders who publicly accuse South Africa of being racist but then, when it serves their purposes, privately seek its help.

South Africa is ready to negotiate with black countries more than the world imagines, he went on, but finding stable negotiating partners is a chronic problem.

In the interview, the minister interrupted his tour of the African scene to give his response to the question about South Africa's blacks.

It is a "distortion," he said, to say that blacks will be excluded from the new system. The new constitution might not mention them as it does the whites, "coloreds" and Indians, he conceded, but they are not excluded, he went on, because "they're included in a different system."

R.F. Botha

Paper in Tennessee to Close

The Associated Press

MEMPHIS, Tennessee — The Memphis Press-Scimitar, the city's Scripps-Howard afternoon newspaper, will cease publication Oct. 31 after 102 years, it was announced Wednesday.

Fords to Have Tried and True Horns Again

The Associated Press

DEARBORN, Michigan — Because of customer complaints, the Ford Motor Co. is moving the horn button on its automobiles from the end of the turn signal lever back to the steering wheel.

"It's where dealers tell us God intended the horn to be," said Lou Lataif, a Ford vice president, during a preview of new models Tuesday.

Ford and other domestic automakers had begun putting the horn button on the turn signal lever in the last two or three model years in response to European styling.

"We have to adopt the best [from the Europeans]," Mr. Lataif said. "And stalk-mounted horn control was not one of the best."

Panel Accepts Open-Air Gene Testing

Review Agency Opposes Proposal by 2d U.S. Firm

By Lee May

Los Angeles Times Service

WASHINGTON — A controversial plan to release gene-altered microbes into the environment has been tentatively approved by a National Institutes of Health committee, but the panel advised rejection of another such experiment, according to committee members.

The Recombinant DNA Advisory Committee met in a closed session Monday to consider the two experiments, which two companies have proposed. Several committee members said that Cetus Corp. of Madison, Wisconsin, was given tentative approval to test whether it could make plants more resistant to disease.

"We agreed in principle, but requested them to make some clarifications," Robert E. Mitchell, a lawyer and committee member from Whittier, California, said in an interview Tuesday.

However, a proposal by Biotechnica International of Cambridge, Massachusetts, for increasing the level of nitrogen available to alfalfa plants, was turned down. "We didn't feel they were ready to go into the open field," Mr. Mitchell said, adding that the committee called for more greenhouse testing.

John F. Marsden, Biotechnica's vice president of marketing, said, "We'd always planned to do greenhouse testing, but we didn't think it was oecessary" at the current stage of research. He added that the rejection Monday "does not diminish our enthusiasm for our program."

The committee has no legal power over companies' experiments, but the companies usually seek committee approval voluntarily in order to head off public criticism and the threat of lawsuits. Officials of the National Institutes of Health are expected to announce their decisions on the two proposed experiments within six weeks.

Such experiments have generated intense debate. On Monday, Jeremy Rifkin, an opponent of the experiments, tried unsuccessfully to obtain a court order to open the committee meeting to the public.

Last week, Mr. Rifkin, another individual and three environmental groups filed suit in federal district court in Washington against the National Institutes of Health, seeking to stop a California experiment that the DNA committee had approved. That experiment would release into the environment gene-engineered microbes designed to help plants block the formation of frost on their surfaces.

The suit charged that the committee did not have sufficient expertise to make its decision. Mr. Rifkin called the experiment "ecological roulette," saying that the effects on the environment were unknown.

Partially in response to such charges, the committee decided Monday to give more consideration to moral and ethical concerns when making recommendations.

Mr. Mitchell proposed that clergymen, philosophers or ethicists be appointed to the panel as openings occur.

And on Tuesday, he said that the committee had agreed and that at least one ethicist will be among the six new members nominated to the Department of Health and Human Services for committee appointments this year.

United Press International

A bronze equestrian statue of Franco, which had stood in Valencia since 1964, was pulled down and removed Sept. 9 by city workers, who were masked to avoid rightist reprisals.

An Echo of Franco Troubles Spain

Old Valencia Statue Becomes New Cause for Rightists

By John Darnton

New York Times Service

MADRID — "Franco Falls in Valencia After 12 Hours of Fighting" screamed the front-page headline in a Madrid newspaper recently. It was eye-catching, and only a bit misleading.

After years of hesitation and waffling, the municipal authorities of Valencia finally decided to do what they had promised four years ago: remove a bronze equestrian statue of Generalissimo Francisco Franco that had stood atop a towering stone pedestal in the central plaza since 1964.

The mayor of Valencia is a Socialist, but rightist breezes can still stir the coastal city. So the operation was carried out in the dead of night.

It turned into a symphony of errors with an ominous score.

A mobile crane was sent to the scene at 4:30 oo the morning of Sept. 9, its license plate taped over to thwart identification. But it was not able to hoist the 900-pound (409-kilogram) statue. As workers sweated and grunted, attaching cahles and bringing in a second crane and then a third, a crowd gathered, some to cheer, others to jeer.

Rightists brought bouquets of flowers, then flags, then megaphones. A young man scaled the statue, banner in hand. He disconnected the cables and led a chorus of "Cara al Sol," the fascist hymn.

The national police, often used in Franco's time to put down disorders from the left, stood by passively.

The statue was oot hrought down until late in the afternoon. By that time, a volunteer squad of 12 workmen, who wore white ski masks to hide their identities, had been pelted with stones, and so in a moment of triumph they raised their hands in victory salutes.

The statue broke in two and was put inside a sand truck.

To vent its anger, the crowd attacked City Hall, breaking a few windows and overturning a car. The crowd was dispersed by the police, who fired ruhber bullets.

Anywhere else, the incideot might have been insignificant, even funny. But in a Spain that is still confused over how to deal with the memory of its former dictator and still jittery over his appeal to conservative forces rooted in the army, the church and the banks, it was not at all a laughing matter.

Francoism is dead — some say it began to die even before Franco breathed his last on Nov. 20, 1975. But from time to time the ghost of "El Caudillo" rises up to walk the land, rattling chains at its newly clothed democracy.

The physical symbols of his rule can still be found, if one knows where to look for them. They are treated cautiously for the most part, like photographs taken down years after a bad marriage.

"Avenida del Generalissimo" has been changed to "Castellano," and "José Antonio Primo de Rivera" is back to "Gran Via."

But there is still a statue of Franco in an out-of-the-way square in the capital. The guide will not point it out, but a portrait of Franco, astride a horse in 19th-century military plumage, still hangs in a room in the Royal Palace.

There is still a Fundación Nacional Francisco Franco, a foundation for good works, although someone has gone around with a spray can to hlacken his name off all the signposts.

And there are still groups of young men and women — the men with a distinctive hairstyle shorn of sideburns — who gather on the anniversaries in blue shirts to shout slogans and give straight-arm salutes to the fascist banner.

The 16th-century El Pardo palace where Franco lived for four decades has been converted to a combination museum and guest house for state visitors.

Fidel Castro, if he visits next year, can sit behind the huge wooden desk where Franco signed his decrees and dine in the room nearhy where his cabinet read them without changing a comma.

The most spectacular monument of all is the Valley of the Fallen, a chilling shrine in the Sierra de Guadarrama to the civil war dead. They are entombed in a subterranean marble crypt the length of three American football fields, under a granite cross that soars so high, 492 feet (149 meters), that it can be seen as a gash in the mountain range from the outskirts of Madrid, 36 miles (58 kilometers) away.

Franco himself is buried there in megalomaniacal splendor, along with José Antonio Primo de Rivera, the founder of the Falangist movement.

That fact alone — plus the memory of the prisoner-of-war labor that built the monument in the late 1940s — makes the gash in the mountain range a vexsome sight to many people.

The men without sideburns like to assemble at the cross to perform their nostalgic rituals.

This year on July 18, the anniversary of the outhreak of the civil war, the Socialist government refused them permission to use the shrine, and so instead they crowded into a small church in Madrid for a Mass attended by Franco's widow, Carmen Polo.

In Valencia, the army's captain-general of the region made clear his displeasure at the way the statue was handled.

The mayor, Ricard Pérez Casado, agreed to have it reassembled and someday placed in a museum of military history. A statue of Simón Bolivar was destroyed by rightist vandals in retaliation, and Franco's empty pedestal, surrounded by flags and posters, was marked with the words, "Caudillo, we will avenge you!"

On the weekend, the authorities destroyed the pedestal.

González Is Backed for Military Stand But Is Criticized on Economic Issues

Reuters

MADRID — Prime Minister Felipe González was supported Wednesday for his firm stand against military meddling in politics but was criticized for sidestepping major issues in a parliamentary debate on Tuesday.

Adolfo Suárez, a former prime minister, and two influential newspapers, El Pais and Diario 16, said Mr. González's assertion that the armed forces had no role to play in politics in Spain was important and timely.

However, Manuel Fraga, the opposition leader, said Mr. González was misguided in his optimistic assessment of the economy and amhiguous in his foreign policy.

Other critics accused the prime minister of failing to mention either the nationalization of the huge private company Rumasa or current industrial unrest.

The two-day debate continued Wednesday with speeches hy leaders of smaller opposition parties.

Santiago Carrillo, the Communist leader, said after listening to Mr. González's speech that he was more convinced than ever that the Socialists would back out of their commitment to hold a referendum on cootinuing Spanish membership in the North Atlantic Treaty Organization.

Mr. González said his government was not going to be rushed into setting a date for the vote. Opinion polls indicate that a majority of Spaniards would vote to quit the alliance.

Mr. Fraga, who said the Socialists' foreign policy was erratic, warned that leaving NATO would prejudice a program to modernize the armed forces. He charged that crime and terrorism were rising.

Manufacturer Checks Jets' Life Rafts

By David Bird

New York Times Service

NEW YORK — The manofacturer of emergency life rafts used on some Boeing 747 airplanes is trying to determine whether the excessive leakage found by United Air Lines was a problem with all of its life rafts or just the ones sold to United.

Foster Smith, a spokesman for the manufacturer, the B.F. Goodrich Co. of Akron, Ohio, said Monday that the same type of raft was being used on "60 to 70 747s operated by about half a dozen foreign airlioes." He said the foreign carriers had been notified of the problem, but had not replied.

United Air Lines suspended all flights over water by its 747s Sept. 14 after routine inspection found that some of the rafts exceeded the maximum leak rate set hy the manufacturer. That rate specifies a loss of no more than one-tenth of a pound of air pressure in the first two hours.

Rafts on eight of the United 747s have been certified as safe and the planes have been returned to routes over water, a spokeswoman said Monday. The rest of the planes will be returned to service over water as tests and repairs on the rafts are completed, she said.

Each 747 is equipped with eight rafts, and each raft is designed to hold 60 people.

Mr. Smith, who is Goodrich's vice president for corporate communications, said United was the only U.S. airline that had bought the rafts.

He said the rafts, which were first sold two years ago, were a "new generation" product that combined the rafts and the escape chute from the plane in one package.

Mr. Smith said it was still uncertain what had caused the leaks, which were found in the fabric wrapped around the air bottles used for inflation. He said the leaks had been repaired hy the application of sealant.

Kay Lund, United's director of corporate communications, described the leaks as very small.

"Basically we still have confidence in the rafts and we're working with B.F. Goodrich to solve the prohlem," she said.

Democrats Seek to Curb Sale of Nuclear Material

The Associated Press

WASHINGTON — Key Democrats in the House of Representatives have begun a campaign to tighten international sales of nuclear material.

India, Argeotina and South Africa were singled out by the congressmen as U.S. ouclear customers that posed "a serious proliferatioo risk." The lawmakers testified Tuesday before a subcommittee of the House Foreign Affairs Committee.

"As the oumber of nuclear nations grows, it is inevitahle that at some point ouclear weapons will be used in circumstances which might oow seem implausible," said Representative Morris K. Udall of Arizona, chairman of the House Interior Committee.

"In the oext 15 or 20 years we're not going to have six or seven nations with ouclear weapons, we'll probahly have 25, and they're not all going to be nice little English ladies speaking the English language like Mrs. Thatcher or the French or some of our trusted allies," Mr. Udall said. "They're likely to be unstable governments, governments with a revolutionary twist who will be out to do more than just make threats about nuclear weapons."

Mr. Udall was joined before the committee hy Represeotatives Howard E. Wolpe of Michigan and Edward J. Markey of Massachusetts, leader of the nuclear-freeze movement in the House.

The three congressmen received hroad support from their colleagues on the panel for legislation to strengthen the Nuclear Nonproliferation Act of 1978, which bars the United States from exporting nuclear material to countries that refuse to agree to open their power plants to international inspection.

Mr. Wolpe said the tightening was needed because President Ronald Reagan's administration appeared intent on continuing to promote ouclear exports to risky countries. He noted that in recent months the administration had approved plans to supply nuclear material to India and Argentina.

Mr. Markey and Mr. Udall said Washington should pressure its allies to curb sales.

The United States should agree with the French, West Germans, Swiss, Belgians and others that all had failed to live up to standards and that they should make a new beginning, Mr. Markey said.

The United States should threaten the other supplier countries with penalties "in terms of our commercial relations, our diplomatic relations, other relations," Mr. Markey said. "If we exercised that clout, then we could have some results."

U.S. Missile Fired by Mistake

United Press International

CHINA LAKE NAVAL WEAPONS STATION, California — A Navy A-6E Intruder aircraft inadvertently launched an unarmed laser-guided Skipper missile Tuesday over an isolated area of the Mojave Desert. A spokesman said no injuries were reported.

Hottest August on Record Giving Way to Fall in U.S.

Washington Post Service

WASHINGTON — Last month was the hottest August on record in the United States, according to the National Weather Service. In fact, it was probably the hottest of this century, though complete records date back only to 1931.

The average temperature for August was more than 2.2 degrees centigrade (4 degrees Fahrenheit) above normal in more than half the country. Temperatures were especially high in the East and Midwest.

"The combination of heat and drought was most severe in the central Mississippi valley in an area extending from Kansas and Nebraska eastward into Indians and Kentucky, and in a belt along the East Coast from the Carolinas to New Jersey," the weather service said. Fayetteville, North Carolina, and Grand Island, Nebraska, had all-time highs of 43 degrees centigrade (110 Fahrenheit).

Although the temperature has been hitting 13 degrees centigrade (90 Fahrenheit) again this week in the East, the picture is changing, the weather service said. There is currently cool weather in much of the country and early snow in the Rockies.

U.S. May Suspend Efforts to Regulate Exposure to Toxins in Workplaces

Washington Post Service

WASHINGTON — The Occupational Safety and Health Administration is considering dropping efforts to set workplace exposure standards for 116 potentially hazardous substances.

The agency has has been working on the project for years. More than a dozen of the substances are known to cause cancer in laboratory animals. It would leave only six substances against which the agency is proceeding actively.

An internal task force told R. Leonard Vance, director of the agency's health-standards programs, that, as a practical matter, agency efforts to set on-the-job standards for most substances already had been suspended because of manpower shortages, controversy, litigation "and other reasons."

By officially deleting them from its workload now, the task force said, the agency "would ootify the regulated industries that OSHA has no intention of moving on these chemicals, relieving them of any anxieties about possihle impacts on their markets or production."

International Herald Tribune
Published With The New York Times and The Washington Post

At Souk el-Gharb

A high stack of American chips rests on the outcome of the battle at Souk el-Gharb, the mountain town south of Beirut where the Lebanese army is making a stand against Druze and Palestinian units backed by Syria.

Oo Monday the United States broke through to a new level of commitment and risk by using American warships to come to the direct support not of the U.S. Marines but of the embattled Lebanese army. Will the new show of force keep that army fighting, give pause to the hostile militias and their Syrian sponsors, and bring an early cease-fire? Or will the Lebanese army, the government of Amin Gemayel and the American position in Lebanon, in that order, collapse?

We will not attempt to predict the outcome, which could come at any moment. But it is worth observing that the single reason the outcome has remained unclear for so long is that the much abused Lebanese army remains in the field. The army has turned out to be oeither the corrupt tool of the right-wing Christian Phalange, as some expected, nor the ineffective reflection of the country's internal strife, as others had thought. It is ethnically diverse, increasingly professional and demonstrably prepared to take casualties in the service of the duly elected (by all communities) president. If it does not prevail at Souk el-Gharb, the fault will not be its own.

It is asked whether America can "prop up" a government if that government cannot get the support of its own people, and the answer is obviously no. However, the army and the government are working, albeit imperfect, Lebanese national institutions. The problem is not so much that they are factional as that they are weak. Thus, the purpose of the support being rendered by the multinational force is to expand the existing narrow core of national sentiment and cohesion. But this prospect will be cut off if a cease-fire cannot be arranged soon and the focus switched to Amin Gemayel's promised new discussions on reapportioning Lebanese political power and rewards.

The passions separating the Lebanese communities are awesome. But the real issue is likely to be whether Syria now sees it in its interest to move to a political phase. It is difficult for the United States to say all of this, but it is true: The Syrians have effectively destroyed the American-sponsored Israeli-Lebanese agreement. They are forcing a redrawing of the political map in Lebanon. Rebounding from their disgrace of a year ago, they are recognized everywhere as a power in the region. The question is whether Syria will press its advantage and leave Lebanon without even a shred of hope to creep from the ruins. The answer will come at Souk el-Gharb.

— *THE WASHINGTON POST.*

Anger Is Not a Policy

Anyone can become angry — that is easy; but to be angry with the right person, to the right degree, at the right time, for the right purpose and in the right way — that is not easy.

— Aristotle.

What is the right degree and purpose of anger at the Soviet Union? Public rage is not an everyday political passion, and from the president down, Americans seem uncertain about how to express it, for how long, to what effect. The administration has been moving from dignified, justified anger toward political opportunism. Thus inspired, the governors of New York and New Jersey pretend that American mobs endanger the Soviet foreign minister, and hand him a pretext for not coming to be censured at the United Nations. And a piously careless American spokesman at the UN says that if other nations object to such harassment, why, let them take their world organization somewhere else. As Ben Franklin warned in "Poor Richard's Almanack," what is begun in anger ends in shame.

Yet angry Americans are, and justifiably so. The murder of 269 air travelers was unsettling enough. The Soviet government's long hesitation before even admitting the deed compounded its irresponsibility.

The crude campaign to shift the blame, as if any provocation could justify such murder, is more enraging still. By what perverse values would even a guiltless perpetrator shout such defiance at the aggrieved? Even if the Soviet leaders thought they had a right to shoot, can't they bring themselves to say they are sorry? There is nn end of theories about how the Soviet psyche and bureaucracy habitually turn fear, shame and guilt into aggression. But it doesn't much matter, finally, whether such conduct is evil or sick or stupid. Our first, and mutual, problem in the nuclear age is survival. Mr. Reagan has been at his best when he rejected retaliations that would hurt Americans more than Moscow, calling instead for international efforts to make the skies safer. This affair should not be closed, or forgotten, until Moscow joins in the necessary guarantees.

The president has been at his worst when milking this episode for support of the first-strike-only MX missile, the kind of weapon that will only increase the temptation of either superpower to shoot first in a crisis.

The Soviet Union's incapacity for remorse cannot be cured with revenge. The anger of individual Americans cannot shape the national defense. Anger is not a policy, not in the nuclear era. Hostile Soviet actions need to be met with measured counteractions. The threat of Soviet power has to be deterred with commensurate power deployed in ways that encourage arms control and ensnare us all in a civilizing diplomacy.

If that is what the president believes, it is his job to say so and to tell Americans how to turn passion and anxiety toward the problem of deterring attack and preserving peace.

— *THE NEW YORK TIMES.*

Other Opinion

Beirut Viewed From America

The agreement between President Reagan and congressional leaders on a compromise War Powers resolution is a sensible interim solution. The 1,200 marines in Lebanon will not become objects of political quarreling.

The marines' losses have taken on added significance because of anxiety that events in Lebanon may get worse before they get better. Mr. Reagan understandably feared that if he allowed Congress to establish a veto over his actions, the Syrians and the Russians simply would play the waiting game and plan to outlast the marines.

Mr. Reagan may be underestimating the good sense of Congress and the public. There is a general recognition that the marines have embarked upon a difficult and important mission. It is clearly in the U.S. national interest and in the interest of peace to allow Lebanon a chance at political stability.

— *The Boston Globe.*

Having gambled that a peacekeeping force could be put in Beirut without being drawn into combat, President Reagan now faces a deteriorating situation. He is hostage to whatever escalation Syria and its arms supplier, the Soviet Union, may instigate.

— *The Baltimore Sun.*

What the Druze want is a sense of protection that is validated by a real portion of political power. Mr. Gemayel has dithered for a year. The last few weeks have shown how costly and perhaps even fatal that dithering has been. The year has given Syria time to deepen its influence in Lebanon.

— *The Los Angeles Times.*

... and From Fleet Street

Washington appears to have learned little from Israel's experience in the Chuf mountains. Israel, which precipitated the current crisis by withdrawing from the Chuf after a year's occupation, moved out because it could no longer tolerate the cost to its armed forces of keeping the warring factions apart. The United States, with only a fraction of Israel's military hardware available on the ground, is now attempting to draw lines oo a map which Jerusalem found impossible to sustain.

— *The Financial Times.*

The American, French, British and Italian contingents are in Lebanon by invitation of the government, which at the time of the invitation could claim to speak for the country. When insurrectioo takes over, the force becomes not a buffer but an arbiter. It is in the role of arbiter in Lebanon that the United States now finds it necessary to shell "rebel" positions. But none of the parties to the multinational force was invited there to arbitrate.

— *The Guardian.*

The Russians would oot simply walk into Lebanon if the West washed its hands of that wretched country. They would not need to. The Syrians, Russia's principal clients, would rule there instead, and the Soviet Union would have the Arab base it has sought for so long.

— *The Sunday Telegraph.*

Western diplomacy must be directed at reconciling the Lebanese, but such diplomacy can only succeed if the multinational force is strong enough to counteract the external pressures working in the opposite direction.

— *The Times.*

FROM OUR SEPT. 22 PAGES, 75 AND 50 YEARS AGO

1908: Brazil Worries Argentineans

BUENOS AIRES — At La Plata a meeting in favor of an increase of armaments has been held under the auspices of students. Five thousand persons attended, including Senor Zeballos, formerly Foreign Minister, who had been specially invited. Senor Zeballos said that at a meeting of notables in 1906 to discuss matters of foreign policy, Senor Bernardo Irigoyen declared that during the twenty-five years in which he had had intercourse with Brazilian politicians he had never detected sentiments of loyal friendship towards Argentina. Senor Zeballos recalled Brazil's pretensions to the Chaco territory. He lamented that Brazil is two years ahead of Argentina in armaments, but hoped the Government would do its duty.

1933: Dictatorship Comes to Austria

VIENNA — Austria awoke this morning [Sept. 21] to find itself endowed with a dictatorship. Acting on his speech last week when he virtually proclaimed a Fascist regime, Chancellor Engelbert Dollfuss late last night [Sept. 20] obtained the resignation of his cabinet, and in the course of the night he constructed another, freed from all parliamentary and party ties. The "Little Chancellor" is now responsible to nobody but the President of the Republic. Like Mussolini, he has concentrated practically the entire power in his own hands. He is chancellor, foreign minister, minister of defense, minister of the interior, minister of public safety and minister of agriculture. The army and police have passed under his control.

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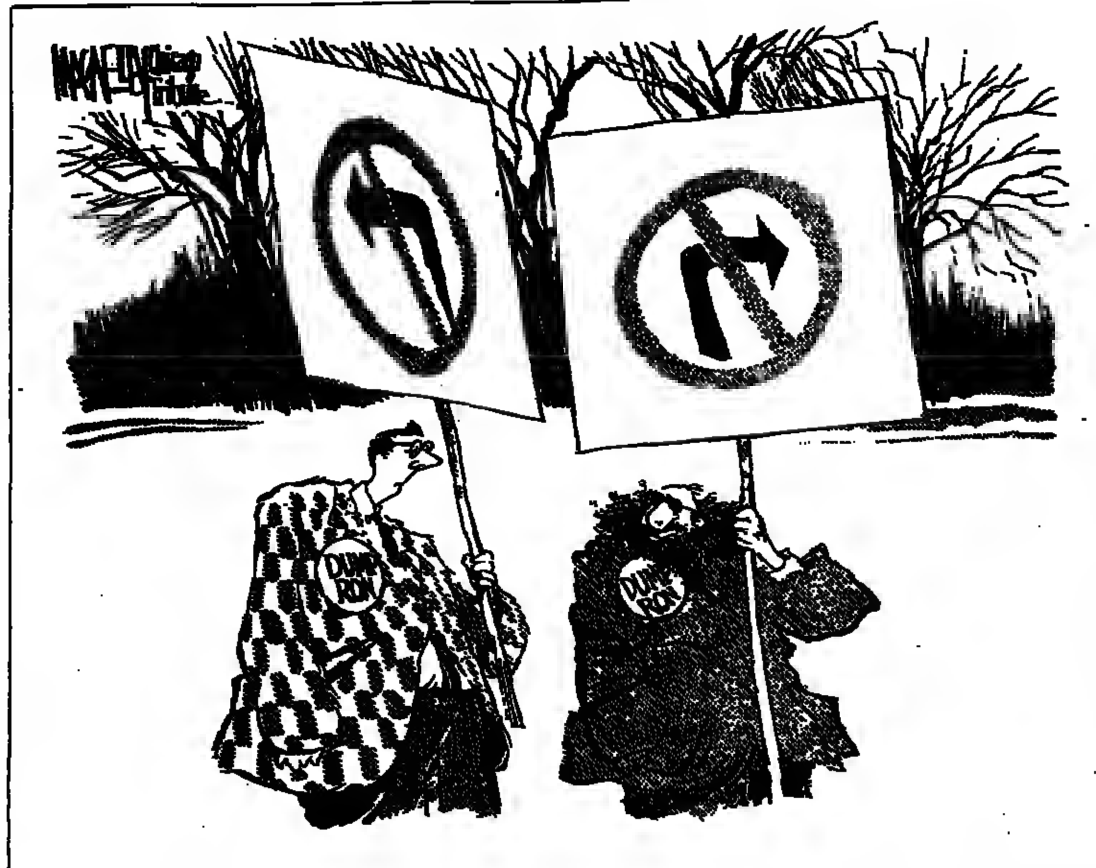


Left, Right: Americans Line Up for the Fight

By David S. Broder

WASHINGTON — Almost as if it were being choreographed by a ballet master, the United States is being positioned for a classic left-right political battle in 1984.

Much of the credit, or blame, goes to President Reagan, whose economic policies have polarized the electorate on sharply drawn class lines and have politicized previously passive constituencies into praise or protest of his actions.

But the movement has spread well beyond the White House and Washington. It is being taken up and amplified at the community level by new organizations which flourish in the sharply etched ideological fissures of this time.

Last week I interviewed two men who personify the emerging pattern: Lewis E. Lehrman of Citizens for America and Robert M. Brandon of the Citizen-Labor Energy Coalition. They agree on almost nothing except that the time is right to mobilize public opinion on bedrock economic issues and thereby gain what both young men see as a decisive political advantage in a new era of governmental policy.

Mr. Brandon and his allies in the coalition of labor, senior citizen and community organizations are building a reputation for door-to-door canvassing and grass-roots lobbying against Reagan administration efforts to decontrol the price of natural gas. Mr. Lehrman was in Washington to announce that he is well on his way toward fleshing out the organizational structure and assuring the $1.5-million budget for his grass-roots conservative lobby, launched recently with the encouragement of President Reagan.

With the avowed aim of selling the economic and national security policies of the Reagan administration through local forums and news channels, the Lehrman group intends to have its network of letter-writing, debate-seeking activists ready in every congressional district within the next few weeks.

What is striking about the conversations of the two ideologically opposed organizers is a shared belief that the public is ready to join in the kind of no-holds-barred struggle for which they both yearn.

Mr. Brandon's eyes gleam with pleasure when he tells how 1,500 senior citizens in Milwaukee badgered Senator Robert Kasten, a Republican, into pledging his opposition to decontrol. Mr. Lehrman's eyes have the same gleam when he says the business and professional people he is recruiting will form "a grass-roots community lobby in every congressional district."

What all this suggests to me is that we are emerging from the era of apathy that enveloped American politics from the Vietnam war period until well after Watergate.

Some of this reflects the hard economic times of severe inflation and high unemployment. Some is a natural reaction to all the stories about special-interest influence in Washington. Some surely reflects the wisdom that supporters and critics of Mr. Reagan have gained from seeing in the last three years that an election really can change the direction of government policy.

There are those who will fret about the polarization of politics reflected by the emergence of the Brandon and Lehrman groups, but I'll take a good political fight over apathy and cynicism any day.

The Washington Post.

Arms Control Takes Domestic Consensus

By Flora Lewis

PARIS — The aftermath of the destroyed Korean airliner exploded the gathering pressure from ultraconservatives on President Reagan to veer harder to the right.

He has resisted so far. Nn doubt this was partly due to a realistic assessment of what America could do and still maintain support from friends and allies, and of the point at which unilateral sanctions would boomerang with charges of U.S. intransigence and irresponsibility.

No doubt it was also due to the political calendar. Elections are more than a year away but attitudes are polarizing. The peace issue is going to be critical. There is more question oow as to whether White House hopes for a Soviet-American summit meeting next spring can materialize. And there are ominous shadows of looming crises, in the Middle East and Central America. That means there is only a little time left to build consensus on the most vital elements of foreign policy. It is clearly in Mr. Reagan's political interest to achieve enough bipartisanship to defuse these issues.

It is also certainly in the American national interest, which goes on regardless of elections.

The ouclear debate, even among those informed of details, has reached new tension. This is because of coming deadlines for some extremely important long-term decisions.

They include buying the MX, which by a great leap of logic Mr. Reagan found still more necessary because the Soviets shot down the airliner with an ordinary missile; negotiating in Geneva on strategic missiles and Euromissiles; proceeding with an anti-satellite weapon or accepting a Soviet offer to negotiate a ban on space war.

Representative Les Aspin of Wisconsin remarked recently, "The key question in strategic arms control today is whether we can get beyond negotiating among ourselves so that we can begin to negotiate with the Soviet Union."

Albert Wohlstetter, the ouclear strategy guru who rarely agrees with Representative Aspin and former Defense Secretary Robert McNamara, has made a similar point in an analysis of U.S. policy in Commentary magazine. Tracing contradictions in doctrine, be says official statements "have often been designed for political combat within domestic bureaucracies rather than potential combat with the Soviets." He points out that when Mr. McNamara as secretary talked about needing capacity to destroy 20 to 25 percent of the Soviet people to assure deterrence, "he was thinking of deterring the Joint Chiefs of Staff from asking for higher budgets rather than the Soviets from attacking the U.S."

Nuclear strategy cannot be tested; differences of opinion are natural on so fateful an issue. But even experts are reaching a savage shrillness in the absence of an accepted basic policy.

At an international meeting on ouclear war in Sicily last mooth, Dixy Lee Ray, the former chairman of the Atomic Energy Commission, called Richard Garwin "a traitor." Mr. Garwin, an IBM scientist who has been a government weapons consultant for decades, is firmly in favor of maintaining the nuclear deterrent but wants arms control and opposes the MX.

Miss Ray's outburst came because Mr. Garwin said the same things in front of Russian scientists that he has said publicly many times in the United States, in congressional testimony and in the press. Such a charge can hardly impress Moscow that any agreement it might make with the United States will reliably be put into effect.

"Where is our arms control tong war leading?" asked Representative Aspin. The need for a two-thirds Senate vote to ratify any treaty means it will not go through without conservative support, and conservatives cannot establish any consistent policy without liberal support. "Support for a bipartisan approach to arms control must grow," he said, "or we can forget about arms control."

Representative Albert Gore of Tennessee has pointed out that the division on the MX is in fragile balance. He is prepared to vote for the missile, and would bring doubters with him, on grounds that it may be needed to promote gradual reduction of both Soviet and U.S. arsenals.

It is not that the MX is a "bargaining chip," but that it might help keep things steady while both sides build smaller missiles with less threat of surprise attack. But Representative Gore is willing to go along only in the context of a serious arms control program, as recommended by the Scowcroft commission. He has made a detailed proposal that would cut warheads on both sides by nearly half in 12 years.

It makes good sense. It is better than a freeze because, in Representative Aspin's words, it would "harness the natural bureaucratic drive to replace aging weapons" to the goal of reductions.

If the president of the United States cannot find a policy that most Americans can support, the chance of getting anywhere with the Soviets is bleak. That can affect his fate and the fate of the nation and the world.

The New York Times.

The Third World Crisis: When American Leaders Fail to Lead

By Charles William Maynes

WASHINGTON — As the 1983 Agenda of the Overseas Development Council points out, the United States, a superpower, is now competing with Italy for the dubious honor of being the least generous of all Western countries in the provision of aid to the developing countries.

In the worst crisis since the Great Depression, the United States is insisting that the World Bank drastically cut back on its low-interest loans to the poorest countries. Pledges from richer countries for these loans will fall from a three-year total of $12 billion to $9.5 billion; the shares of the two largest recipients, China and India, are being squeezed to less than India alone used to receive. And the future for additional resources in the next pledging cycle looks bleak.

These low-interest funds have been vital to countries that are unable to compete for commercial funds with the wealthier developing countries. World Bank loans, like IMF loans, also constitute a seal of approval that private banks often require before they provide commercial funds.

Today only 19 percent of U.S. bilateral development aid is going to the low-income countries. (The figure is more than 30 percent for America's allies.) In the last 10 years the United States has nearly doubled to 41 percent the share of its aid program that is politically motivated, as opposed to development oriented. The Near East, primarily because of aid to Egypt and Israel, now accounts for nearly half U.S. aid worldwide.

But for the policy community in Washington — the administration, Congress and the "think tanks" — requests that America show more concern for the plight of the Third World have become simply annoying. Just as a physical structure may suffer from metal fatigue, official Washington suffers from policy fatigue with regard to the Third World.

There are a oumber of explanations for this mood.

One is the elite's loss of confidence between 1965 and 1975 that it understood the development process. The earlier bubris of Walt Rostow's "Stages of Economic Growth," in which development was detailed in an almost mechanical fashion, has disappeared. In the days of President Kennedy's Camelot, my Foreign Service Institute professor ordered me, a junior Foreign Service officer, to read that book. It was to be the blueprint we were going to follow to bring the world up to the economic level of Peoria, Illinois.

Suddenly in the mid-1970s Americans who previously claimed to know everything about development declared that they knew nothing.

The announcement was, of course, premature. As nearly all development economists have pointed out, whatever the mistakes of the 1950s and 1960s the developing countries as a group have achieved rates of growth unequaled in history. Tn be sure, credit for this success goes primarily to the people in those countries and not to the foreign donors. But when poor countries are desperate for cash, donations from richer countries certainly cannot hurt.

Other attitudes have also affected the American government's policy. White Americans have oever been entirely comfortable with the leaders of the Third World, in part because of the less-than-honorable history of the United States toward the blacks, Indians and Mexicans on its own continent. After all, until very recently the majority has benefited by enslaving, defeating or stealing land from Third World citizens of the Western Hemisphere.

It is oow all history, the victims probably would not have been more humane as victors, and the sins of fathers should oot be visited upoo sons or daughters. Nevertheless, history does leave scars and memories.

Reflecting on this legacy, white Americans seem to have divided into two camps — conservatives who are callous in their sense of resentment and superiority toward the Third World, and liberals who are cloying in their mood of meekness and guilt.

Neither attitude is terribly relevant to the present reality — a Third World that ranges from major international powers like India or Brazil to specks on the globe like Grenada or Fiji; a Third World that soaks up 40 percent of U.S. exports, that in certain vital countries represents the future and in many others encapsulates the past, and that may affect the global balance of power.

Given the U.S. attitudes toward development and the Third World, any appeal to the humanitarian instinct of the American people and particularly the American policy community is likely to fail. The instinct is oo longer politically relevant, except in the type of emergency that puts faces of bungry children oo the front pages of American newspapers.

The indifferent U.S. reaction to the Brandt Commission report laying out the elements of a global bargain between North and South is proof of this. The report was a best-seller in Europe but a public relations failure that sank like a stone in America.

It is oot that every one of the report's 59 major proposals in the fields of finance, trade, agriculture and energy was sound. Such an achievement was never expected. What was disturbing in the United States was the lack of interest.

Yet the problem of what to do about political turmoil in the Third World remains. One of the obligations of an elite is occasionally to act like one. On the issue of development, the American people will oot be ahead of their leaders. Instead of exploiting congressional votes in the IMF for partisan advantage, these leaders should be looking for ways to explain to the public the long-run political effects of current economic neglect of many vulnerable regions.

Development experts, including officials in the Reagan administration, have their own agendas for surmounting the current crisis. Proposals range from clever arrangements for redistributing the debt burden to renewed efforts to restore the tools of past policy — more aid, better trade and wiser experts. The World Bank's recent report on Africa shows what reasonable increases in aid, combined with reforms, can achieve. But even a modest agenda cannot succeed in the current climate.

Economic distress brought political disaster to many regions of the world in the 1930s. Yet then, at least, Americans had the excuse that they did not always understand the effects on others of such actions as the infamous Smoot-Hawley tariff increases, or inflexibility in reducing the international debt burden resulting from World War I. In the 1980s, a decade in which we could see a new age of disorder, there is no such excuse.

This is the third of three articles from The Washington Post. The writer is editor of Foreign Policy magazine.

An Experts' Case for Beefing Up the IMF and Issuing SDRs

By Jonathan Power

NEW YORK — The debate in Washington surrounding the IMF funding bill is becoming increasingly unreal. Even if the 50-percent rise in quotas goes through against the wishes of the coalition of conservatives and liberals that are fighting it, it is already looking paltry and insufficient. The world liquidity crisis is so severe that the debate badly needs to be cast afresh.

If the IMF is to have the means to avert a frightful crisis in the international banking system, it requires much greater financial resources than are now being discussed.

In a make-believe world it is rational to argue that the banks have been profligate and that the Third World borrowers have muddled their economic priorities. That is true if one is writing history. But if one is dealing with contemporary political factors — the stability of a number of major Third World countries and the vitality and strength of the banking system — past mistakes have to be accommodated. The IMF can impose its conditions for more sober future growth only if it has the carrots to make its stick-wielding acceptable.

The borrower-lender relationship is at present antagonistic. This is not good fnr developing countries, nor for the IMF. Even if the former have to cowtow to the IMF this time, they will go out of their way to try to make sure they dn not have to again.

The reforms and reordered priorities that must come if the developing countries are to avoid the pitfalls and mistakes of the high-growth 1970s are not likely to come unless dispassionate outsiders like the IMF have some influence to counteract internal domestic pressures. But this influence has to be paid for.

A brief written by a team of financial experts for this week's meeting of the Commonwealth ministers of finance in Trinidad observes, "There are considerable doubts as to the adequacy of the Fund's resources, even after the quota increase."

The team of experts included Sir Jeremy Morse, chairman of Lloyds Bank, and I.G. Patel, former head of the Reserve Bank of India. It advocates more frequent quota reviews and urges the IMF to go into the market and use its standing to borrow money at cheaper rates than the developing countries can; then it can lend to desperate would-be borrowers at a lower-than-market rate.

A third suggestion, which in the long term is perhaps the most important, is for the IMF to increase its distribution of special drawing rights — credit entered in the ledgers of the IMF on which countries can draw to obtain the foreign currencies they oeed to settle their payment deficits.

In its early days the Reagan administration was dead set against the creation of more SDRs. Lately, some influential members of the administration have looked at them afresh. But the idea is still very much on the back burner, with attention and energy narrowly focused on the quota discussion instead.

A major oew allocation of special drawing rights would, in the words of the Brandt commission, "provide a major impulse to recovery."

The main advantage of a new SDR issue, compared with quota increases or borrowing by the Fund, is that it is fast. Another is that it does not create repayment obligations. This would cut down the debt burden.

SDRs have the additional advantage, unlike other forms of credit, that they could be directed toward the poorest countries and the crisis areas in the world monetary system.

But SDRs possess a higher virtue than just meeting the needs of the current crisis. The more steps are taken toward an SDR-based monetary system the better. As long as the world is dependent on the policies of a few reserve currency countries and the whims of the international capital markets, there can be no effective control of the aggregate volume of world liquidity.

In the 1970s the problem was too many dollars; today the problem is too few. Only when SDRs form a significant proportion of world reserves will the international community, through the IMF, have the chance, by reserve creation or destruction, to influence world reserve growth so that the need to expand the global economy can be met without the risk of high inflation.

International Herald Tribune.

LETTERS TO THE EDITOR

Justice on the West Bank

In response to "Israel and the West Bank" (Letters, Sept. 17) from Nissim Taitou in Paris:

After the letter from Mr. Taitou, of the Embassy of Israel in Paris, discussing the treatment of West Bank Palestinians, and especially the legal system imposed upon them, your readers may be interested by the following comment by Gad Lior, which appeared last June 30 in Yedinth Aharonnth, the largest-circulation daily in Tel Aviv:

"As a result of lack of normal investigative procedures and shortage of staff, certain complaints submitted to the police in Judea and Samaria aginst Jews in 1981 and 1982 were either not followed up or only investigated in a perfunctory manner. This emerges from the confidential report of the Karp Commission of Inquiry whicb investigated complaints against Jews in the occupied territories, details of which were made known to me yesterday.

"The Karp report specifies in detail the investigative procedures in a number of cases where Arabs filed complaints ahainst Jews in Judea and Samaria. Most of the cases were brought to the attention of the Ministry of Justice by a group of fourteen jurists concerned by reports that the investigations had not been conducted properly.

"Difficulties also arose due to lack of cooperation from the Jewish population in Judea and Samaria. The responsible authorities lacked resources and manpower to conduct some of the investigations in a proper manner, like similar investigations within the Green Line. In some cases no serious consideration at all was given to complaints filed by Arabs against Jews or concerning failure to follow up investigations."

JACOBO TIMERMAN.
Madrid.

Letters intended for publication should be addressed to the editor and contain the writer's signature, name and address. Brief letters receive priority, and letters may be abridged. We cannot acknowledge all letters, but we value the views of the readers who submit them.

Computers Everywhere

In the International Herald Tribune of Aug. 24, "Role of Jet's Computers Probed in Power Loss" suggests that computer control of a Boeing 767 almost caused a tragic crash. "World's Growing Dependence on Computers Raises Risks of Error and Sabotage" lists several failures, near failures and outside manipulation of computers. Yet in "U.S. Military Debates New Kind of Arms," the defense secretary, the NATO commander and other high-tech proponents advocate a computerized weapons system for the United States. Whose side are they on?

AL HIX.
London.

SCIENCE

Despite Heat, Earth Said to Be in Icy Age

By Walter Sullivan
New York Times Service

NEW YORK — Despite the long hot summer, scientists insist that the Earth is currently going through what they say, comparatively speaking, is an Icehouse Age. Increased fuel burning, however, is supplying enough carbon dioxide to tilt the climate slightly back again toward the hotter extremes that existed millions of years ago.

The theory would help explain why, as proposed last week, many of the larger plants and animals evolved near the North Pole. The concept, advanced this month by separate authors in the journal Nature and in the American Journal of Science, sees long-term changes in carbon dioxide content of the atmosphere as the critical element.

These, it is proposed, have produced prolonged periods dominated by a "greenhouse effect" of abnormal warmth, alternating with an "icehouse effect" in which the polar regions become frigid and ice ages are likely to occur. Currently, according to this hypothesis, the world is under the influence of an "icehouse effect," although increased fuel burning is adding enough carbon dioxide to the air to tilt the climate gradually toward the other extreme.

There is ample evidence that much of the world used to be hotter than it is now. So hot, in fact, that more than 50 million years ago the land areas nearest the North Pole harbored sequoias, ancestral horses, alligators and lemurs.

Climate specialists are now arguing that the Earth was hot because there was far more carbon dioxide in the atmosphere than at present. The gas would have absorbed heat radiatioo that would otherwise have been reflected back into space.

Such a "greenhouse effect" could have warmed the climate on Earth as it bas on Venus, where the atmosphere contains so much carboo dioxide that the planet's surface is at more than 800 degrees Fahrenheit — far hotter than a normal oven.

Even though today carbon dioxide in the air is steadily increasing through combustion of coal, natural gas and petroleum products, it is far from the high levels postulated for some past epochs.

An explanatioo for its apparent abundance between 50 million and 150 million years ago, spelled ont in the American Journal of Science, is that intense volcanic activity during the Cretaceous period belched great volumes of carbon dioxide into the atmosphere and flooding of the continents impeded its removal from the air by rock weathering.

At that time the supercontinent Pangaea was breaking up into the continents of today, and new oceans such as the Atlantic were forming between them. The currently favored explanation for the high sea levels is submarine volcanic activity carrying the continents away from one another and raising the ocean floors.

It is proposed that volcanic activity greatly increased the atmosphere's carbon dioxide in two ways: by spewing the gas directly into the atmosphere and by submerging large land areas. Carbon dioxide in the air combines with silicate rocks to produce such carbonate minerals as dolomite, but with extensive areas under water such removal of atmospheric carbon dioxide by weathering was greatly curtailed.

These and other factors that have determined the carbon dioxide content of the air in geologic time are analyzed in the American Journal of Science by Drs. Robert A. Berner of Yale University, Antonio C. Lasaga of Pennsylvania State University and Robert M. Garrels of the University of South Florida.

Evidence for periodic enhancement of carbon dioxide in this manner is presented in Nature by Dr. Philip A. Sandberg of the University of Illinois in Urbana. It focuses on changes in the crystal structure of tiny calcium carbonate spheres precipitated in the oceans during various epochs of Earth's history.

During periods of enhanced carbon dioxide, according to the hypothesis, these spheres, or "ooids," were predominantly in the calcite form. At other times, including the present, they have been of the type known as aragonite.

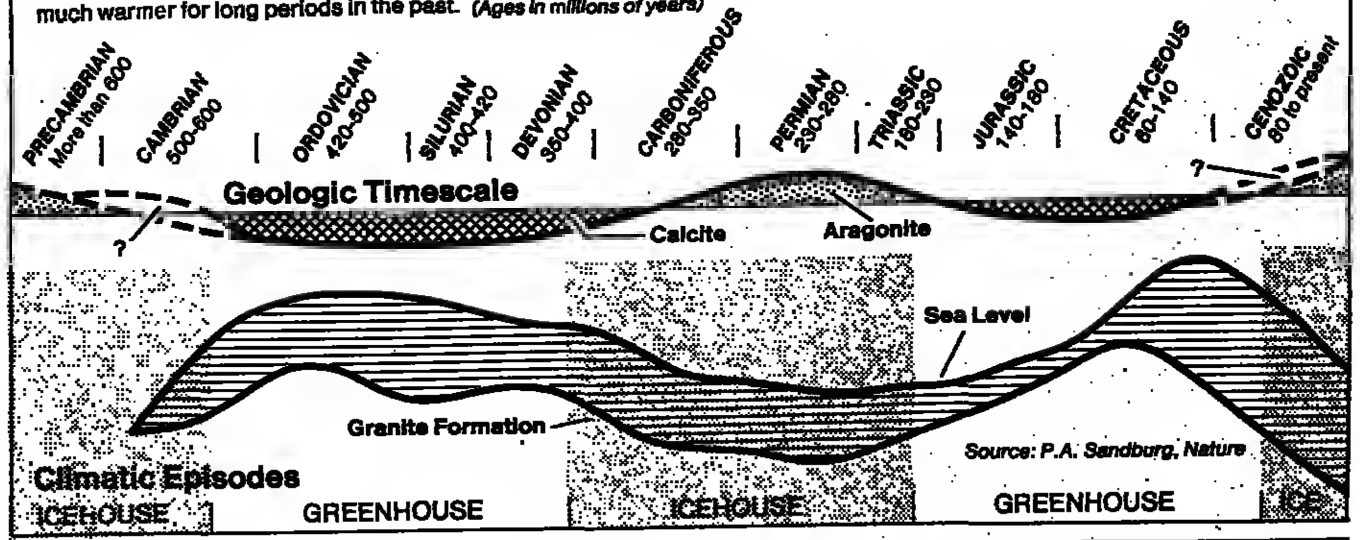
The Precambrian Era, more than 600 million years ago, and the Permian Period, 250 million years ago, were, like the present, "aragonite" epochs. The long intervening periods were presumably carbon dioxide-dominated. They coincided with worldwide formatioo of granite structures probably associated with intense volcanic activity and continental flooding.

Dr. Berner noted in an interview last week that carbon dioxide enhancement of the atmosphere as an explanation for the warm Cretaceous climate has been supported by a computer simulation of global climate during that period by Dr. Eric Barron, at the National Center for Atmospheric Research in Boulder, Colorado. He was exploring the effects on climate of the radically different geography of the Cretaceous.

As Dr. Barron explained, computer simulations of atmospheric behavior at that time yielded arctic temperatures 30 to 40 degrees Fahrenheit warmer than now. Yet the geologic record, he said, indicated temperatures 60 or 80 degrees higher. If, however, he increased the carbon dioxide content of the air in his compoter model fourfold, the computer indicated a warming close to that reported by geologists. Eqnatorial temperatures, however, were not much higher than today.

The Earth's Fluctuating Climate

Increased atmospheric carbon dioxide caused by continental breakups is believed to have made the earth much warmer for long periods in the past. *(Ages in millions of years)*



Odd New Shark Is Described

United Press International

SAN FRANCISCO — Experts have discovered a strange shark with huge blubbery lips but ineffective teeth — which scientists say could mean there are many more huge beasts in the open sea waiting to be discovered.

Ichthyologists said that on Nov. 15, 1976, a U.S. Navy ship 25 miles off the Hawaiian island of Oahu hauled up a an adult male shark nearly 15 feet long and weighing 1,653 pounds (751 kilograms). The first scientists to examine it nicknamed it Megamouth because of its buge blubbery lips, covering 236 rows of small and ineffective teeth.

Now it is officially *Megachasma pelagios* and is classified as an entirely new species within a new genus within a new family in the order of Lamnoid sharks. A report on its discovery and lifestyle has been published in the latest edition of the Proceedings of the California Academy of Sciences.

Scientists who dissected bits of skin, gills and teeth made a second discovery. Inside the shark's gut they found an undiscovered species of tapeworm — now formally named *Mixodigma leptaleum*, which has also got the parasitologists rewriting their books.

The new shark is described as a filter-feeder, which means its teeth don't bite or tear, but act like a sieve to trap food.

Clues to Universe Sought in Meteorite's Crystals

By George Alexander
Los Angeles Times Service

LOS ANGELES — In a way, said John Armstrong, a California Institute of Technology geochemist, scientists who study meteorites are a lot like archaeologists.

"They're looking for pottery that hasn't been smashed to dust, so they can tell something about what it looked like originally, what it was used for and so learn something about the culture that produced it," he said of the archaeologists. "We're looking for crystals that are still largely intact so that we can tell something about what the early solar system looked like."

In the Allende meteorite that fell on northern Mexico in 1969, Mr. Armstrong and his 1,000 or so colleagues around the world have had their fondest hopes fulfilled — and then some. Allende's crystals have already fueled a large number of productive experiments.

Even today, 14 years after it crashed, there are still enough Allende crystals — and they are still unusual enough in their mineralogy, structure and chemistry — to spur a new round of investigations now under way into the earliest phases of the solar system.

As it has turned out, the Allende meteorite impacted more than the Earth. It plunged into modern science's consciousness at a time when a seminal theory about the formation of the solar system had just been advanced and an array of new instruments had been developed.

Now, with some newer, more sophisticated instruments, different experimental approaches and a more positive spirit of cooperation, scientists at California Institute of Technology, the University of Chicago, the University of Houston and other research laboratories around the world are trying to answer some of the perplexing questions their earlier studies of this meteorite have raised.

Allende suggested, for example, that the solar nebula, that primordial cloud of gas and dust from which the sun and the planets eventually formed, had been hot stuff, literally: around 1,500 degrees or more Fahrenheit. This was, and continues to be, hard for astronomers and astrophysicists to accept because they don't see any other clouds in the universe quite so hot.

The evidence of the meteorite also indicated that an exploding star, either a nova or a supernova, had injected additional matter into the solar nebula and perhaps had been the disturbing force that caused the cloud to begin its collapse. Although experiments by scientists at the University of California, San Diego, have called this proposal into question, the meteoritic community is now reconsidering the original idea.

Almost everything about Allende is exceptional. It is of a rare kind, called a "carbonaceous chondrite," and an unusually large size. Scientists estimate it may have weighed as much as four tons when it slammed into the upper atmosphere, because nearly three tons of it — in several thousand pieces — have been picked up to date.

The meteorite fell in a very advantageous area, in the Chihuahuan desert, near the village of Pueblito de Allende (hence its name), where the dark fragments stood ont amidst the sand and sparse vegetation. It was also a region with so few people that no one was killed or injured by falling debris, yet with enough people to provide witnesses to its fall during the pre-dawn hours of Feb. 8, 1969.

On succeeding days, local people recovered thousands of fragments, ranging in weight from less than one ounce to more than 220 pounds (100 kilograms), many of which they sold to scientists and rock collectors.

The scientists were amazed at their luck. The pieces were fresh, meaning they had not been contaminated by water or anything else. They were clean, big, obviously very old and, best of all, generously studded with both large and small crystals.

Crystals are the English gardens of matter: orderly, repetitive arrangements of atoms that take on a highly-structured form as they cool and solidify from a liquid or a gas. The varions minerals that make up the crystals, the size and textures of their atomic framework, all reveal a great deal about the conditions under which they formed.

Professor Edward M. Stolper, a California Institute of Technology geologist, is now trying to duplicate the patterns of Allende crystals by first melting and then cooling artificial compounds that have all the properties of the true meteoritic fragments.

The work has been complicated by the fact that, like snowflakes, almost no two crystals in the Allende meteorite are the same. The conclusion that scientists drew from all this is that the solar nebula was anything but homogeneous, as so many theoretical models of the primordial cloud have assumed.

Still, Professor Stolper said, "We've learned several things already. One, many of these [crystals] have either been melted or partially melted at around the time of their formation. And, two, they cooled slowly."

In a near-vacuum of the sort that the solar nebula is generally thought to have been 4.5 billion years ago, a molten droplet would freeze solid in a few seconds. Professor Stolper's experiments show that some of the Allende minerals took hours or days to crystallize.

This suggests, according to Professor Stolper and Professor Robert N. Clayton, a University of Chicago geophysicist, that the hot Allende crystals had to have cooled off in an environment that was denser and hotter than most scientists would regard as likely.

"This poses some bad problems for geophysicists," Professor Clayton explained in a telephone interview, "because it requires a heat source extending out from the center of the proto-sun to approximately where the asteroid belt is today to melt or partially melt these grains."

To solve this problem, two West German researchers, Gregor Morfill and Heinrich Volk of the Max Planck Institute for Physics and Astrophysics, have proposed that instead of an extended sun that stretched to the asteroid belt, a compact region — perhaps less than 10 million miles across — quickly developed at the center of the solar nebula. They theorize that gas and dust might have gathered there to generate temperatures around 1,500 degrees Fahrenheit.

Cloud motions would have been just turbulent enough to whip some mineral grains in close to this hot spot, melting or scorching them, before throwing them back out again to the cooler stretches of the nebula where they cooled.

Raising of Crops In U.S. Dated at 7,000 Years Ago

United Press International

WASHINGTON — Experiments on ancient squasb seeds show agriculture in the eastern United States developed at least 7,000 years ago, about 2,500 years earlier than previously believed, according to researchers.

Researchers at the University of Rochester, Northwestern University and the Center for American Archeology in Kampsville, Illinois, dated carbonized remains and seeds of cultivated squash plants from archaeological digs in Illinois using e new radio carbon dating technique.

"For the eastern United States, that would be the earliest date for agriculture. It does date earlier in Mesoamerica [Central America] and elsewhere in the world, in the Near East particularly," said David Asch, an archaeological botanist with the Kampsville center. "The significance is a regional one."

The team said the experiments also confirmed corn was less important in early northeastern agriculture than originally thought. Squash and a weed known as marsh alder or sump weed, whose seeds can be ground like wheat, were more prominent.

The researchers speculated the squash seeds were dropped close to a camp fire where the squash was being eaten. The seeds were charred by the fire, carbonizing them and preserving them.

Roach Extract May Aid Liver

The Associated Press

TOKYO — An extract made from a variety of cockroach found in Japan and other parts of Asia may prevent cirrhosis of the liver, Japanese researchers report.

Tetsuro Fujita, a pharmacology professor at Tokushima University in western Japan, said an extract from the Satsuma cockroach has been shown to prevent liver damage in laboratory mice.

Mice injected with the extract showed no sign of liver disorders 12 hours after receiving four injections of D-galactosamine, a substance that damages the liver, Professor Fujita said.

But mice that had not been injected with the extract and those injected with extract from other types of roaches had symptoms of an early stage of cirrhosis, he said.

Hiroshi Kimura, e researcher at Earth Chemical Co. Inc., a major insecticide manufacturer in the city of Ako, west of Tokyo, said the company began researching the medical applications of cockroaches three years ago.

International Herald Tribune
Published With The New York Times and The Washington Post

BANKING AND FINANCE IN LATIN AMERICA

A SPECIAL REPORT

Brazil's Credibility Hurt by Its Failure To Meet IMF Terms

By Juan de Onis

BRASILIA — The failure of Brazil and its creditors to live up to the foreign debt refinancing plan agreed upon earlier this year has created a credibility problem for Brazil's new stabilization agreement with the International Monetary Fund.

Finance Minister Ernane Galvêas said that conditions, which resulted in Brazil's not complying with commitments to its creditors on reducing inflation and public deficits, have taken a turn for the better. External recovery with stable interest rates will boost Brazil's vital export sector.

"Brazil is perhaps the only oil-importing developing country that is substantially improving its balance-of-payments structure; our current-account deficit next year will be $6.5 billion, compared with $15 billion in 1981," Mr. Galvêas said in an interview.

As for inflation, reflected in a 157-percent price increase for the 12 months ending in August, Mr. Galvêas said that removal of subsidies on petroleum products, wheat and sugar, cutbacks in public-enterprise investments and reduction of interest subsidies for farmers and exporters would assure an expansion of only 90 percent in the money supply this year.

"Inflation has reached unbearable levels and must be reduced rapidly," he said. "We will end next year with an annual rate of 60 percent."

These and other specific targets that will improve Brazil's ability to service a $90-billion foreign debt — which includes $15 billion in less than one year — are contained in the two-year recovery plan presented to the IMF in the third "letter of intent" negotiated this year.

But the highly restrictive credit, monetary and fiscal targets contained in this plan, as well as the ambitious targets for trade surpluses and new foreign credits, are viewed with considerable skepticism in Brazilian political circles and are taken with reservations by foreign financial attachés and bankers here.

"Everyone knows that Brazil is not going to pay its debts. But the government pretends it does not know, and acts as if it intends to pay. Since everyone believes that the government knows it will oot pay, this increases the lack of confidence in the economic policy command," said Elio Gaspari, a widely read columnist in Jornal do Brasil.

"The least one can say is that Brazil's debt problem is going to be a chronic crisis, for many years; they will not declare a moratorium, but they will not pay any more than they can finance from new loans," said the financial attaché of a West European embassy.

But doubts over the new two-year plan are oot limited to skeptical journalists or foreign analysts. The unity of the economic team that has been running Brazil's policies under President João Baptista Figueiredo since the debt crisis became acute has been broken.

Carlos Geraldo Langoni resigned as president of Brazil's central bank in early September, refusing to sign the "letter of intent" with the International Monetary Fund. He said the letter's restrictive monetary, credit and fiscal targets could not be met and would bring on "generalized misery for the Brazilian people."

Two earlier letters of intent with the IMF have been abandoned as Brazil was forced to devalue 30 percent and inflation soared, instead of settling this year at 80 percent. The IMF suspended disbursements to Brazil from a $4.5 billion "extended facility loan" in June, with the public deficit running at 15 percent of gross national product.

For most in-country observers of Brazil's economic crisis, the question is whether President Figueiredo, who has solid military backing but only a fragile majority in Congress, has the political will to confront rising opposition to the economic leadership of Antônio Delfim Netto, head of the Secretariat for Planning, and the IMF formulas for Third World debtors.

Food riots have spread in recent weeks from the drought-stricken northeast region to the poor working-class suburbs of São Paulo and then Rio de Janeiro. Mobs have broken into supermarkets and neighborhood stores in search of food.

In the Brazilian Congress, the government is unlikely to obtain a required majority for a decree that broke the automatic indexation of wages to inflation and limited wage adjustments to 80 percent of the increase in the consumer price index for the previous six months. This reduces real wages.

But the opposition also is unable to overturn this decision. However much criticism is leveled at the austerity plan, it probably will remain in effect as long as the Figueiredo government continues. The president's term ends in March 1985 and his successor will be chosen by an electoral college in which the government parties have a majority.

On the external front, the government can count on financial support because there is no other way that the holders of the $90-billion debt can hope to get interest payments. There is a limit to how much pressure the lenders can place on a debtor as large as Brazil.

The IMF cutoff of disbursements from the "extended facility" produced a halt in disbursements from new loans by the international creditor banks, which had put up $4.4 billion to help cover interest payments.

As a result, Brazil stopped paying interest on the foreign debt after May, accumulated arrears of more than $2 billion, and unilaterally postponed repayment of $400 million on a bridging loan from the Bank for International Settlements until the IMF resumed disbursements.

Brazil has its own complaints about the performance of international private banks under a package agreement reached in February by which interbank lines of credit and commercial financing were to be fully restored after cutbacks early this year. By July, it became clear that Brazil's interbank credit had dropped $3 billion, making short-term debt payments difficult.

The third "letter of intent" is an attempt to break the impasse over suspended disbursements and the undeclared moratorium. The key provision is that the public deficit, measured in cruzeiros and corrected for inflation, will be reduced from 6 percent of gross national product in 1982 to 2.7 percent this year and zero next year.

If this is acheived, cutting away subsidies, reducing public-enterprise spending and limiting monetary expansion, Mr. Galvêas said inflation will be reduced to monthly rates of 5 percent in the last quarter of this year and 2.5 percent a month in the last quarter of next year.

Isabel Cora-Mounet/IHT

Mexico: Drastic Measures Are Working

By William A. Orme Jr.

MEXICO CITY — His voice growing hoarse and his graying temples flushed with a fine sweat, President Miguel de la Madrid had nearly reached the end of his three-hour address on the state of the nation.

"I am aware that the crisis has not yet been overcome," he said, rising to an uncharacteristically defiant pitch. "All that my government asserts is that its most grave and acute aspects are under control."

International bankers and many local economic experts concur emphatically with that assertion, even if most of Mr. de la Madrid's compatriots are more preoccupied with their declining purchasing power than they are impressed with the reordering of Mexico's foreign finances.

But President de la Madrid could legitimately boast that he had managed to contain much of the damage of what Mexicans call simply "the crisis" — the liquidity and production collapse that last year sent the peso tumbling to a sixth of its former value and that continues to paralyze what had been one of the world's fastest growing economies.

Yet while Mexico's ecooomy will probably shrink at a 4-percent rate this year, most economists believe that the two-year trend toward further deterioration has been halted and slight positive growth now appears possible oext year. The keys to this achievement, they say, have been a realistic exchange rate, systematic spending cuts, and a commitment to end Mexico's reliance on foreign borrowing (which had led it to build up debts of more than $80 million).

The government now believes that Mexico "tried to do too much too fast with international credit," said José Carral, head of the Mexico office of the Bank of America, the country's second-largest private creditor. That belief is bolstered by the realization, he said, that "the banks will not have the same eagerness to lend here again."

Mr. Carral said Mr. de la Madrid had "changed the economic climate" by demonstrating that he is convinced Mexico must seek foreign capital from such sources as export earnings and direct investment.

An important factor, observers in Mexico say, has been the president's unexpected ability to limit the political repercussions of the government's strictly enforced austerity program.

Some local analysts warn that this budget-cutting and import-cutting approach, promoted by the International Monetary Fund, may have only postponed an inevitable economic reckoning. Eventually, they say, a new cycle of amortization outlays and economic contraction could dangerously undermine Mexico's political consensus.

But for now, the government enjoys surprisingly good relations with labor, which has borne the brunt of Mexico's economic burden this year. And the administration's relations with the business community are aided greatly by the private sector's unhappy memories of the country's previous government.

After six years under the fiscal management of President José López Portillo, as Mr. de la Madrid noted in his Sept. 1 address, the Mexican economy in late 1982 was "characterized by falling production, hyperinflation, soaring unemployment, foreign reserves depletion, an external debt of unprecedented magnitude and a virtual suspension of payments to our foreign creditors."

By comparison, the current administration can claim in its first year to have slowed the growth of inflation and the money supply, built up foreign reserves through the posting of a record trade surplus, and successfully renegotiated $20 billion of the government's most burdensome short-term debts.

"The De la Madrid administration has turned the financial picture around far faster than anyone thought they could," said a Western diplomat, expressing a common sentiment in Mexico City. "There is real confidence abroad that Mexico is going to make it."

But restoring confidence at home will be Mr. de la Madrid's biggest challenge, the diplomat said.

A year ago, Mr. López Portillo shocked many Mexicans by announcing in his state of the nation speech that he had decreed the expropriation of the country's commercial banks. "They plundered us once," Mr. López Portillo shouted, accusing the private bankers of fomenting capital flight, "but they won't return to plunder us again."

This year, striking a deliberate contrast, Mr. de la Madrid pointedly invited former bank executives to attend the annual presidential speech, where be discussed his administration's "long and arduous" effort to negotiate a "fair payment" to compensate for the nationalizations. Leftist opposition groups and powerful labor-aligned factions in Mexico's ruling party have opposed the indemnification plan, but Mr. de la Madrid has already begun reimbursing the banks' former stockholders with 10-year, interest-bearing negotiable bonds.

Not only critics on the left attacked the repayment plan, however. Some of the former bank owners angrily protested that the reimbursement bonds represented less than one-third of the true worth of their bank stocks. José Maria Basagoiti, president of the Mexican Employers Confederation, complained that "someone who could have bought a Volkswagen with his stock will now only be able to afford a motorbike." He said the compensation formula "destroys all motivation to save and invest."

Other prominent business leaders, however,

(Continued on Page 11)

Debt Recovery: A Qualified Hope For a Continent

By William R. Cline

WASHINGTON — With $300 billion in external debt, Latin America accounts for 40 percent of the total owed by developing and East European countries, and for more than half of their debt to private banks. Of the five largest debtors, four are Latin American: Brazil, Mexico, Argentina and Venezuela.

Latin American debt grew rapidly in the last decade as oil price increases hit importing countries such as Brazil and Chile and spurred borrowing for oil development in Mexico, and as the global recession and high real interest rates in 1981-1982 depressed commodity prices and export volumes while raising the burden of servicing debt. Misguided exchange-rate policy and capital flight aggravated the problem in Mexico, Argentina, Venezuela and Chile.

Today's financial interdependence runs in both directions, and the health of Western banks depends heavily on several Latin American countries. For the nine largest U.S. banks, loans to Brazil account for 46 percent of capital, while Mexico accounts for 44 percent and Argentina 18 percent. If Brazil declared an extended moratorium, lost interest and reserve set-asides would wipe out half of the annual profits for these banks; the write-off of one year's principal and interest for just Argentina, Brazil and Mexico would exhaust not only profits but also one-third of capital for these banks, possibly forcing them to cut back $150 billion in domestic loans.

It is small wooder that, when Mexico suspended debt payments in August of last year, Western governments and banks responded promptly. Within months, rescue packages were assembled for major debtors, including Mexico, Brazil, Argentina, Chile and Peru. International measures for these five countries alone mobilized debt reschedulings of nearly $50 billion in principal due, loans of $13 billion from the International Monetary Fund and new foreign bank loans of $13 billion.

Today, the central question is whether these efforts (and more like them) will be sufficient, or whether more radical measures such as substantial debt relief through long-term stretch-outs and significant interest forgiveness will be required (at potentially great pain and risk to banks and Western economies). Essentially the questioo is whether Latin American debtors are temporarily illiquid or fundamentally insolvent.

To answer this question, a computer-based model developed at the Institute for International Economics projects the balance of payments and debt for 19 major debtor countries individually through 1986. Past economic relationships are used to relate the amounts and prices of their exports to OECD growth. Their domestic growth rates affect imports, and their exchange rates affect both exports and imports. Their debt service depends on world interest rates, and oil trade depends on the price of oil.

The central findings are that the global debt problem should be manageable if OECD growth averages 2.5 percent to 3 percent in 1984-1986, not a sure bet but a good one based on past recovery experience. Export growth should reduce debt-to-export ratios to safer levels. Prospects are bleaker if interest rates surge again, although one percentage point on OECD growth is seven times as powerful as one percentage point on the interest rate in improving payments balances.

Although not designed for in-depth analysis of individual countries, the model provides specific projections for the major Latin American debtor countries. The results are heartening. External deficits should decline substantially by 1984-1985 in Brazil and Argentina, and the ratio of debt to exports should decline significantly for them as well as for Mexico and Chile. Among the large Latin American debtors, only Venezuela shows a significant rise in the relative burden of debt, because of stagnant oil prices. Thus, by 1986 the debt-to-exports ratio should have fallen from 380 percent to 200 percent in Brazil, 370 percent to 180 percent in Argentina, 270 percent to 230 percent in Mexico, and 300 percent to 260 percent in Chile, while potentially rising from 100 percent to 260 percent in Venezuela unless energetic measures are taken.

On the basis of statistical indicators associated with past and recent debt reschedulings, it may nonetheless take until 1985-1986 for Argentina, Brazil and Mexico to have restored creditworthiness sufficiently to approach capital markets on a more normal basis. Until then, however, private banks are likely to provide them with new "involuntary" lending, because of the calculation whereby moderate oew loans safeguard large outstanding loans. Orchestrating new bank loans (especially by smaller, "free rider" banks) will be important for this purpose, and the IMF's role in this process has been historically important in the last year as, for the first time, it threatened not to lend unless the banks did.

Sound OECD recovery and the avoidance of stratospheric interest rates and of extreme oil price shocks in either direction (because they affect Mexico and Venezuela in the opposite direction from Brazil and Chile) should permit an internationally managed recovery from today's severe debt problems. So far, progress in this direction has been substantial. Mexico has cut its foreign deficit from $12 billion in 1981 to less than $1 billion expected in 1983. Argentina, Mexico and Brazil are meeting the foreign-deficit targets in their IMF programs, although Argentina's inflation remains above 300 percent and Mexico will suffer severe recession this year.

In a reversal of roles with Mexico a year ago, Brazil today causes the greatest worries. The technical strategy of counting on the restoration of interbank deposits failed badly. Also, Brazil failed to comply with IMF commitments on budget cuts, and as a result has drifted agonizingly without infusions of planned IMF and commercial bank loans for the last three months. Now a new IMF agreement is virtually in hand, but only after a government cap on wage indexing that may yet be vetoed by the Brazilian Congress, and only after escalation of domestic political criticism (in a context of three years of recession) to the point where the opposition party has called for a moratorium on both principal and interest over the next three years. Although the government-IMF plan is likely to prevail, and the additional bank lending needed for 1983-1984 is likely to be obtained, the downside political risk has grown considerably.

In contrast, Mexico's political system of embracing opposition to neutralize it seems once again to be working, and prosecution of corrupt officials from the previous administration provides a much needed sense of equity. In Argentina, both the Radical and Peronist parties have coherent and moderate (if non-orthodox) economic plans as they approach the Oct. 30 election (a contrast to Brazil, where the impossibility of immediate assumption of the responsibility of power gives additional license to the opposition to advocate moratorium). Political turmoil is more severe in Chile, where a decline of 14 percent in national production last year and high unemployment have aggravated opposition to President Augusto Pinochet; but the opposition is concentrated on a hoped-for return to democracy, not on calls for a debt moratorium.

Venezuela is unique. It need not have been a large debtor, given its oil surpluses of the 1970s, but mismanagement of state firms led to borrowing abroad even as foreign assets were accumulated by the state oil company. Then, when the bolivar became threatened by a weak oil market, severe capital flight in 1982 depleted the country's foreign assets before the government suspended free conversion to dollars. Now Venezuela limps along without an IMF agreement, and with grudging rollover of large short-term bank debt, until after the election in December, when politically unpopular austerity measures and an IMF adjustment program will be more feasible. Fortunately, Venezuela's net external debt remains moderate relative to exports, because of still-large reserves.

Overall, both the economics and the politics of Latin American debt suggest that the debt problem can be managed, although the severity of recession is such, with strongly negative growth rates, that there is a risk that the threshold of political tolerance will be exceeded.

Many fear that a Latin American debtors' cartel might emerge, calling for repudiation or indefinite moratorium on interest and principal. Such an outcome is unlikely. Even though the narrow calculation of interest outflow against capital inflow is now negative, any incentive to default is overwhelmed by the disadvantages: a cutoff from future borrowing, private lawsuits such as those that seized Chile's copper exports after expropriation under the Allende government and, conceivably, foreign official sanctions. The major Latin American policymakers will think long before opting out of the Western financial world, especially if they judge that recovery is not far away. And the dynamic of credit-rating self-preservation works against large-country participation in a debtors' cartel. Thus, this month's much-heralded Caracas conference on debt

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Beyond Temporary Relief: Real Economic Growth Is Vital

By Pedro Pablo Kuczynski

NEW YORK — The toast is burning, or is it the house? Perhaps Gary Trudeau, as be meditates about new adventures for Duke, can inject excitement into the subject of international debt by beginning a new series. Slackmeyer, recently appointed mogul of the First Bank of Megolopolis, and Finance Minister Senor Juan Lopez (ex-Duke), who it is hoped enjoys substantial covert financial support, would be the stars. I am sure that would be more interesting than one more article — for which I apologize — on the debt crisis.

The debt disease appears in remission as banks and International Monetary Fund officials conclude yet another debt renegotiation. A sigh of relief arises. Another step in the march toward recovery has been taken, it is felt. Indeed, several factors do encourage these feelings of optimism: the ability of the international banking system to organize these refinancings without too many problems, as well as the economic recovery under way in the United States plus the very tough austerity measures taken in a number of the major Latin American economies.

However, if the problem — namely, how to get out from under the load of debt service without excessively compromising economic growth — is seen from the point of view of the borrowers, the prospect looks uncertain. Why? The basic reason is that the burden of interest payments is very high at a time of sharply reduced capital inflows and still lagging export earnings. The financial strain, as well as soaring unemployment and inflation in a number of major countries, means that the economic teams in the major debtor countries are under considerable political pressure to relax or get out. The only exception is Mexico, where the unitary political system and strong presidential leadership combine to make the bitter medicine more or less acceptable.

Let us look at some of these points:

- In 1983, based on average international interest rates at midyear, Latin American and Caribbean countries will as a group need to pay out about $40 billion in interest to service their external public and private debt. This amounts to 42 percent of their projected merchandise export earnings of about $96 billion. The proportion is closer to 50 percent in the case of Argentina and Chile, and about 46 percent for Brazil and Mexico. Even though there are big differences among countries, it is significant that for the rest of the developing world the estimated interest burden in 1983 would be about 12 percent of export earnings. Among major non-Latin American debtors, only the Philippines faces an interest burden comparable to that of Latin American countries.

- The high burden of interest arises from two facts: two-thirds of the debt of the Latin America and the Caribbean region is owed at floating rates to commercial banks (vs. less than one-third for the rest of the developing world), and the total debt is large relative to export earnings. The ratio of outstanding external debt to 1983 merchandise earnings averages 3.4-to-1 for the region as whole, against about 1-to-1 for the rest of the developing world put together.

- While net lending by international commercial banks to Latin America — mostly to Argentina, Brazil, Chile, Mexico and Venezuela — was running at an unsustainable annual rate of $25 billion in the period 1979 to mid-1982, after having increased rapidly since 1973, it has fallen off sharply. With few exceptions, new bank loans have been part of the refinancing packages arranged under the auspices of the IMF. Other than for a few countries — such as Colombia, Panama, and Trinidad and Tobago — there is at present no market lending to Latin America. In 1983, net commercial bank lending to Latin America is unlikely to amount to more than $10 billion, or half the projected current-account deficit of the region.

- While this deficit — and hence the external financing needs of the region — has been sharply cut from $38 billion in 1981 to $33 billion in 1982 and to my estimate of about $20 billion in 1983, the sources of financing here dried up at a much faster rate. A recovery of private direct foreign investment will take time. So will the return of some of the flight capital of the last two years, particularly in the cases of Mexico and Venezuela, which has to await a revival of domestic private investment. Net lending by the multilateral development banks is still relatively modest, despite special efforts to increase it. It is largely tied to investment to projects, many of which have slowed down. As a result, combined net disbursements of the World Bank and the Inter-American Development Bank, after repayments of principal, will rise somewhat to about $2 billion in 1983, and their net transfer after interest will remain at about $1.3 billion. A substantial financing gap remains for several countries, despite the very large cut in imports. This gap has led to arrears in current payments and to requests for new reschedulings.

There is no doubt that most of the major debtors have taken very tough austerity measures. However, until the economic recovery in the United States gets translated into the renewed growth of world trade, there will be a difficult interim period. Whether countries can bridge that interval without changes in policies is still uncertain.

Mexico is the most promising case. Its strong internal political organization has made it possible to force a reduction in real wages and a major cut in public expenditure, so that inflation is likely to come down quickly from the 100-percent-plus annual rate of late 1982-early 1983. The fact that 70 percent of export earnings and tourism are tied to

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BANKING AND FINANCE IN LATIN AMERICA

Development Banking: Long-Term Aid in Area of Imminent Crisis

By Jane Seaberry

WASHINGTON — The World Bank is facing an unusual problem: While debt-ridden Latin American countries struggle to find money to repay billions of dollars in loans, the bank has billions of dollars in unused lending that under its rules it cannot disburse.

Under its charter, the World Bank in most cases can lend funds only for special projects, such as hydroelectric dams or export-related projects, whose funding must be matched by that of the borrowing country. But with so many Latin American countries heavily in debt, those governments cannot pay their share so the money remains idle, a World Bank official said.

This situation illustrates the dilemma of project-oriented development authorities armed with long-term solutions when their money-starved client countries are seeking short-term help. Agencies such as the World Bank and the Inter-American Development Bank are not in the business of restructuring debt; rather, they largely try to help countries keep their development projects going while they ride through the debt crisis. The banks' funds have been earmarked months or years earlier, and these allocations are difficult to change even in the midst of a crisis.

"The fundamental philosophy of our institotion is to help countries diversify their exports, we believe, and to have an export orientation," World Bank President A.W. Clausen said in a recent interview. "It's one's ability to earn foreign exchange that will make an economy more efficient."

Many of the Latin American countries, however, are interested mainly in paying back billions of dollars in debt and have postponed or abandoned costly development projects. With the World Bank, the governments must provide funding and begin construction of projects before the bank will provide financial assistance. But because the governments are unable to match funding for their projects, "there are lots of undisbursed funds," a World Bank official said.

The official said these funds run in the billions of dollars and have been committed to projects that may or may not be completed, depending on whether the government has the finances to go through with the project. But because the funds have been committed, they cannot be used for something else. "The more sluggish the economic situation, the more likely this money will sit there," the official said. Some observers have recently complained that the World Bank is not doing enough or acting quickly enough to help its Third World customers.

"When things are on a downswing, the International Monetary Fund can inject money; we can't," the bank official said. "The fund has countercyclical capability. We are stuck with the cyclical. When countries aren't doing well, there's nothing we can do to push ont projects. We're trying to put the emphasis on productive projects that generate exports."

In many instances, these agencies are constrained by rules that allow little flexibility during crisis periods. For example, the Inter-American Development Bank during the 1970s decided to concentrate its future lending activities on the least developed countries because such larger countries as Brazil, Argentina, Mexico and Venezuela seemed to be doing well. Now these larger countries need a major portion of the help from the IDB and are not able to get it.

Officials of both banks stressed that they were not created to help Third World countries with balance-of-payments problems but to aid them in financing development projects intended to increase exports and thus earn valuable foreign exchange or help maintain the country's internal structure.

Even with the constraints of their mandates, however, officials at both banks said they were concerned and were doing what they could to ease the financial pressures on Latin American countries. This year, the World Bank instituted a special action program to help the developing countries sustain growth during the financial crisis. The bank was able to increase disbursements by $2 billion between 1983 and 1985, bnt it had to borrow $1.6 billion to finance the project.

Under the World Bank's special program, bank lending has been temporarily altered somewhat, but bank standards of creditworthiness and other project-related criteria remain unaltered. The World Bank has expanded structural adjustment lending beyond the 30-percent limit applied to an individual country. This lending is for government programs, not tangible projects, and constitutes 10 percent of the bank's lending capability. It can be disbursed within a year, which is rather rapid for World Bank loans, an official said.

This lending does not require the governments to match funding and does not have to be used for a construction project. For example, if a government wants to get rid of subsidies as part of austerity measures, it can receive World Bank money to tide it over until the crisis dissipates while averting domestic unrest, the official said.

The bank also expanded sectoral lending for export development, modernization of existing plants and financing of key imports for critical production activities. In addition, it is financing a greater proportion of projects costs, including providing supplementary loans for ongoing projects and restructuring existing World Bank loans.

"While the bank's mission does not include the financing of balance-of-payments deficits of its members, it does have a responsibility to assist member countries to maintain the maximum level possible of development while minimizing the erosion of long-term growth prospects," the bank said when announcing the program.

For example, as of June 30, the bank approved additional loans to Mexico from 1984 through 1986 of $740.3 million for agricultural marketing programs, export development and other local projects. Brazil was allocated an additional $682.2 million for aid to its agricultural and industrial sectors.

In funding projects, the World Bank pays as construction of the project is being completed. However, the bank currently is accelerating disbursements of funds for projects, allowing the governments to pay their share later on, a bank official said. In addition, the bank is reducing the scope of some projects while retaining the same amount of bank funding and restructuring loans.

The Inter-American Development Bank is bampered in dealing with the current crisis because its funding allotments are fixed by negotiations between the 43 member governments and cannot be changed unless the governments decide to do so, bank officials said. This means that it is difficult to change the long-range plans that de-emphasized the larger, more developed countries. (The bank's membership was increased in 1976 and 1977, so that the 43 governments include countries from other regions, notably Europe.)

The bank's funding is only for projects, and payment is made as projects are completed. In addition, its funding pool is very small. Last year, it lent $2.7 billion and about half of that was targeted to low-income countries.

Projects to improve agriculture and rural development are the bank's priority, followed by urban improvement and energy development and diversification. During the bank's 24th annual convention this year, its president, Antonio Ortiz Mena, said his agency's loans were vital for developing "a framework of mature and efficient international cooperation." He criticized private U.S. banks for not cooperating in renegotiating foreign debts of the Latin American countries.

"Those banks should realize the situation we live with in Latin America and fortify their participation in Latin America's development," Mr. Ortiz Mena said.

Meanwhile, the bank's board of governors has recommended that its 43 members increase the bank's resources by $15.7 billion between 1983 and 1986, allowing it to lend about $13 billion in freely convertible currencies for development projects, not balance-of-payments problems. Up to $3 billion of these freely convertible currencies would be available to Argentina, Brazil, Mexico and Venezuela.

In addition, the bank recommended increasing by $703 million its soft-loan division, the Fund for Special Operations, which is used for dealing with special circumstances "arising in specific countries or with respect to specific projects," the bank said. The board of governors also recommended the establishment of an Intermediate Financing Facility to subsidize the interest on IDB loans up to $800 million.

The increases are expected to become effective on or before Oct. 31 after ratification by most of the members.

Central America: United Front for Aid From World Banking Community

By David Vidal

WASHINGTON — A concerted Central American effort to present a united front before the international financial community, in hopes of obtaining more financial aid, better terms of trade and greater technical assistance, is entering its decisive phase this fall.

The five member countries of the Central American Common Market — Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua — say they are facing the most serious economic and social crisis in Central American history and the most severe crisis since the Depression of the 1930s.

The evolution of the crisis has been swift. First came the inflation of the 1970s driven by oil price increases; then the prices of principal export commodities fluctuated violently, and mostly downward; then the balance of payments went into deficit and the deficits were financed with foreign borrowing. Meanwhile, depreciation of the dollar caused a substantial drop in dollar reserve holdings even as the cost of imports and debt-servicing requirements grew and industrial production and regional trade fell.

Now, with demand from the industrialized nations low, there is little prospect of recovery without substantial additional resources that these Latin countries currently lack.

For these resources, they are turning to the international financial marketplace. And to call attention to their needs, they have been working together for more than a year with assistance from the Inter-American Development Bank for a joint regional presentation for private banks, foreign governments and multilateral institutions.

This project, with the development bank in an unaccustomed role as a "facilitator" for a group of member countries, represented a "titanic effort," according to Guillermo Moore, a consultant to the bank, who has served as coordinator for the Special Program for Central America at bank headquarters in Washington.

The goal, he said, is "for the international community to see that these countries want to continue working as a team."

"With a little goodwill from importers, they can see their foreign exchange situation, which is now critical, improve. Very little can have a major impact on Central America," he said.

The first step in the search for a way out involved testing the waters of the international financial community at a mid-September meeting in Brussels. This meeting was purposely held away from the major financial capitals and at the headquarters of the European Community to stress the regional nature of the problem and the hoped-for global, rather than bilateral, nature of responses.

Neither the development bank nor the individual countries have said exactly how much assistance is needed. This is due partly to the role that the bank has defined for itself as a go-between, and partly to the renewed interest of the countries in group action as a better guarantee of individual survival.

According to the bank, the initiative for the project came from the group of countries in January 1982, after the failure of a plan to have the World Bank lead a group with some of the same goals in mind.

A pool of high-level Latin American consultants was used to assist the countries in assessing their economic situations, preparing analyses and composing necessary documents.

These consultants included Javier Silva Ruete, a former finance minister of Peru, José Maria Dagnino Pastore, a former finance minister of Argentina, and Jorge González del Valle, former president of the Bank of Guatemala.

A 34-page document recently circulated by the Inter-American Development Bank, "The Regional Report for Central America," is an abbreviated version of some of the results of their work. In a reflection of the behind-the-scenes role the bank is seeking to stress, there is no bank insignia in the document, only the recognition in the text that "in all of Central America's economic recovery efforts, the IDB has played a key role."

The document mentions the needs of no single country by name, except to speak of Nicaragua and El Salvador's "sharp imbalance" in regional payments, "owing to the disturbances in the productive mechanisms of those nations."

According to Mr. Moore, the strong emphasis on the countries as a group "coincided with the message we were getting from Europe; they wanted to see the situatioo of the region, not of each country."

One reflection of the regional condition that has been quantified is the contraction in Central American regional trade, which fell by oearly half from $1.1 billion in 1980 to $775 millioo in 1982. Also, the per capita real rate of growth in the domestic product of the region was negative for four successive years starting in 1979, reaching a minus 6.5 percent rate in 1982, according to preliminary figures.

Recovery is foreseen by 1985 if the world economy expands and foreign help is forthcoming. The resources being sought are intended for channeling to three regional entities to revive interregional trade, support the regional balance of payments and provide working capital.

The development bank, as part of a oew emphasis on "flexibilization" in its internal processes, has agreed to continue working with the group of countries and with potential donors, providing hope that more projects and assistance will reach fruition.

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turned out to be not the start of a debtors' cartel but instead an occasion for moderate resolutions.

Despite prospects for improvement and disincentives to default, success in managing the debtor problem will oot come esily. There may be new setbacks, possibly large ones.

If they occur, the strategy should be for the debtor country involved to return to the negotiating table for a cooperative solntion with foreign banks, Western governments and international agencies. Grandiose, multicountry projects for debt relief not only mean infeasible requirements for public capital; by buying ont the banks (with or without a loss), they also could remove the banks' incentive to lend new money.

Large rescheduled maturities coming due in the mid- and late-1980s will have to be dealt with, but should be manageable if the capital market has returned to a greater degree of normalcy. Latin American exports may lag behind their normal response to the OECD business cycle because of increased reliance on depressed Third World markets, bnt if so the process of improvement will simply take somewhat longer.

Still, there is no avoiding the severe consequences if OECD recovery collapses and the worst recession since the 1930s stretches from three years to six or seven.

Similarly, a dramatic failure of major Western governments to play their role in the process — such as a rejection of the IMF quota increase by the U.S. Congress — could push the debtor-creditor relationship away from the cooperative mode toward the conflict mode, with losses for all sides.

The debt crisis is a supreme challenge to international economic management. So far, the response to this challenge is encouraging.

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Argentina: Questions on Civilian Rule Begin

By Martin Andersen

BUENOS AIRES — A return to democratic rule slated for Jan. 30, after nearly eight years of military government, bas raised serious questions about Argentina's will and capacity to pay off almost $40 billion in foreign debt.

Uncertainty over the changes that a civilian government will bring has clouded a cautious optimism in foreign banking circles that Argentina, slowly retreating from financial collapse, will remain on course.

A little more than a year ago, after the war with Britain over the Falkland Islands, Argentina was caught between the realities of imminent bankruptcy and a growing nationalist sentiment, in the military and the civilian opposition alike, that Argentina should renounce its financial obligations to what were perceived as hostile nations in the developed world.

A speenlative and military spending boom that began in the late 1970s had come back to haunt policy-makers in the form of maturing short-term debt. The problem was exacerbated by a credit squeeze from developed countries as a result of the Falklands invasion.

When Jorge Wehbe took over as economy minister after the war, Argentina could not pay even the interest on its foreign debt. Imports had ground to a virtual standstill as foreign suppliers refused to open letters of credit.

The practical, problem-solving approach taken by Mr. Wehbe and the central bank governor, Julio González del Solar, paid off early, after the International Monetary Fund meeting in Toronto a year ago.

By December 1982, Argentine officials had hammered out the principles of a rescheduling program with the IMF. The same month, 263 creditor banks signed a debt renegotiation agreement with Argentina providing a $1.1-billion bridging loan for repayment by March 1984; a five-year, $1.5-billion loan with six years' grace on repayment; and the renegotiation of about $6 billion in public-sector and state-guaranteed debt.

A condition of the agreement with the banks was that Argentina sign the standby IMF accord; it did so the following month. The program worked out called for the IMF to disburse $1.5 billion over 15 months. Of that, $625 million has been disbursed in two tranches, as well as $502 million in compensatory trade funds.

Despite occasionally sharp differences with policy positions taken by the Wehbe team, foreign financial analysts give the economy minister generally high marks for his overall handling of the situation.

"When these guys took office, no one gave them more than 60 days, and their predecessors were mostly against them trying to deal with the IMF," a U.S. banker said. "They had no power base, and what they accomplished here is little short of a miracle.

"This team will leave a very solid base for the future. They've maintained a constructive, generally friendly dialogue on the debt, both with the commercial creditors and with the fund," the banker said. "There is no reason the next government cannot pick up the tools and the relationships and make it work."

Foreign financial experts agree that solving Argentina's debt problem is a question of proper management. The country always has been able to count on its natural resources, particularly agricultural products, to bolster its international standing. "God is Argentine," is a frequently heard popular reflection of confidence in the country's capacity to recover.

It is a boast hard not to take seriously. During the first half of this year, Argentina ran up an estimated $2-billion trade surplus, due in large part to virtual energy self-sufficiency and a record 40-million-ton grain harvest.

As in years past, agriculture appears to be the key to Argentina's ability to live up to its foreign obligations.

While the country's gross domestic product grew by 0.6 percent in the first quarter of this year, after a 5.7-percent decline in 1982, agriculture grew by 8.4 percent last

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the United States means that foreign-exchange earnings are recovering quickly, in line with the U.S. economy. A firming up of international oil prices, a strong probability in the next couple of years, is likely to round out the recovery.

While Brazil does also have a centralized political system, one-third of its exports go to depressed areas of Latin America and the rest of the developing world; trade barriers are an important obstacle to its exports to the industrialized world; and it has not been able to take advantage fully of lower oil import prices because of delayed payments arrangements. Moreover, the refinancing package drawn up at the beginning of 1983 was too modest in relation to needs, both in order to maintain a minimum level of net capital inflows and to replenish the very low level of international reserves. A new debt re-arrangement is thus needed.

The immediate prospects of other countries vary, and are in some cases closely linked to political changes. Both Argentina and Chile have large external debts in relation to their exports (4.2 times annual exports in each case). In the case of Chile, copper remains extremely depressed, while the actual program of a new Argentinean administration is not really known. Peru, entering its third year of an IMF program, faces weak export prices and the effect of the natural disasters caused by El Niño current, which has interrupted internal transport, causing shortages and intensified inflation, and has sharply cut the exportable ontput of petroleum.

In order to be sanguine about the next year or so, one has to hope for change in the following areas:

- An improvement in the conditions that create potential political instability: declining incomes, a soaring inflation rate, and unusually high unemployment in large and rapidly growing metropolitan areas. Per-capita national income — which reflects the drastic decline of the terms of trade — for the region as a whole will have declined 10 percent in the period 1981 to 1983. In a number of countries, basic food consumption has fallen in absolute terms, reflecting the cost of "adjustment" upon lower income urban groups, which are hard hit.
- The high level of international real interest rates, combined with additional refinancing charges and uncertainties aboot the future course of interest rates, casts doubt on whether several countries can continue to pay out half their export income in interest, unless net capital inflows can continne at a reasonable pace. Banks therefore face the uncomfortable choice of continuing to lend or risk jeopardizing the chances of getting their interest paid.
- Several imaginative programs have been proposed to refund external debts, bnt the cost to the lenders of such proposals would be too high for them to continue lending. Those proposals are thus a double-edged sword. Moreover, they enjoy little support in the countries that would be called on to foot the bill. It would be preferable, therefore, as I have suggested in greater detail elsewhere [in an article in the Fall 1983 issue of Foreign Affairs, entitled "Latin America Debt: Act Two"], to establish now a contingency mechanism for the next year or two under which the margins over the cost of money, in the case of refinanced debts, would be sharply reduced — enough to make a difference in the payments due from the borrowers, but not so much as to jeopardize further lending. Not an easy objective to attain, but probably better than a last-minute response to an emergency.

BANKING AND FINANCE IN LATIN AMERICA

Chile: Heavy Bill for 'Miracle' Of Pinochet Decade Now Due

SANTIAGO — The rising tide of political opposition to President Augusto Pinochet's economically crippled regime has made Chile's refinancing of foreign debt with 600 international banks a major target of criticism in Chile.

Unless there is substantial economic recovery soon — with a reduction in the number of unemployed, currently more than 30 percent of the labor force — Chile is likely to seek relief from the austere "standby" agreement with the International Monetary Fund that is the cornerstone of the bank refinancing agreement.

The IMF agreement, signed in January and already modified in June, provides $900 million in balance-of-payments support and compensatory financing. But to draw the money, Chile has to abide by strict quantitative limits on fiscal deficits, monetary expansion and credit to the private sector, and it has to build up international reserves, which have fallen by $1 billion since December.

On the basis of IMF monitoring of this agreement, Chile's international creditor banks agreed in July to accept postponement of repayment of $3.6 billion in debt principal, to restore commercial credit lines up to $2 billion and to lend an additional $1.3 billion to help Chile pay interest due this year on its debt.

But to provide this financial package, the steering committee of 12 hanks, led hy Manufacturers Hanover, insisted on a sovereign guarantee by Chile for all the new loans and the rescheduled debt. The bankers also extracted a declaration of principles committing the government to support repayment of debt by all private borrowers, who hold 60 percent of Chile's foreign debt, forgoing bankruptcy proceedings.

The terms of both the IMF and bank agreements have come under heavy criticism from a wide array of political parties, dissident economists and most of Chile's business organizations. The main charge is that Minister of Finance Carlos Caceres and the Central Bank's president, Hernán Errázuriz, made excessive concessions without getting the necessary conditions, including more new funds, to reactivate the economy.

This has become one of the major fronts for attack on the 10-year-old regime of President Pinochet, whose resignation has been demanded by the opposition Democratic Alliance, led by the Christian Democratic Party. Reactivation of the economy has become a political imperative for President Pinochet, who is fighting to complete his presidency ending in 1989.

With a total foreign debt of more than $18 billion and a population of 11 million people, Chile has the highest per-capita foreign debt in Latin America. When the military took power in 1973, the debt was $4 billion.

Since 1982, when Chile was forced to devalue the peso, the economy has gone into a tailspin. The gross national product fell 14 percent last year, and the University of Chile's department of economy predicts a further 2-percent drop this year.

The major private banks, linked to the big conglomerates led by Javier Vial in Banco Chile and the brothers-in-law Manuel Cruzat and Fernando Larrain with the Banco Santiago, are technically bankrupt and have been kept going by Central Bank funds of almost $2 billion. Nonperforming loans exceed the capital and reserves of the private banking system by 60 percent.

But the debacle of the financial sector rests on the collapse of the private economy, with industrialists, merchants and farmers unable or unwilling to pay loans inflated by annnal interest rates that reached 40 percent in real terms in 1982.

The opposition political parties and labor unions since May have organized monthly "days of national protest" that have erupted into violence and shaken the regime. But in addition to protest, the opposition is proposing alternative political and economic programs.

"The debt problem is of such magnitude that it cannot be resolved by the traditional approach; renegotiating the debt for one or two years only postpones the problem," said Andrés Zaldivar, a former Chilean minister of finance who is president of the Christian Democratic International.

Mr. Zaldivar, who was exiled for two years by President Pinochet, said that Latin American debtor countries should "propose to the international financial community a formula for paying dehts in a form that will not deny the region the resources it needs to carry forward its development."

"If this is not worked out, there will be a crisis in the system because the debtor countries will simply reach a point of inability to pay and there will be a political crisis," he said. In contrast, Mr. Caceres, in a formal statement to the banks, recognized that "it is not the normal function of commercial banks to make long-term loans beyond eight years."

For most of the last decade, economic policy in Chile has been conducted by technocrats backed by the military government, with little regard for dissent. The policy was that of the so-called Chicago school (from the work of economists at the University of Chicago), maximizing market-oriented, private enterprise with a free-wheeling financial sector and a minimum of state regulation.

For President Pinochet, it meant the prestige of frequent visits from leading international bankers, such as Walter Wriston of Citibank or David Rockefeller of Chase Manhattan, who not only lent money lavishly but also praised the policy as a model for the Third World. The loans also helped the Pinochet government equip the Chilean armed forces with at least $3 billion in foreign purchases, according to military analysts.

When these policies seemed to be working, with an 8-percent rise in gross national product in 1979 and 1980 and inflation below 10 percent in 1981, Sergio de Castro, the chief "Chicago boy" and minister of finance, proclaimed in his annual state-of-the-economy message for 1981 that Chile had laid the foundation "for one of the most solid economies in the world."

The symbol of solidity for Mr. De Castro was the fixed exchange rate of 39 pesos to the dollar, which he said would resist "all pressures and remain for many years." Chilean private borrowers, facing internal credit costs of 40-percent real interest, went to foreign banks to borrow billions of dollars at cheaper rates with official encouragement.

Less than a year after Mr. De Castro's message, he was out and President Pinochet devalued the peso. The current-account deficit in the balance of payments for 1981 had reached $4 billion, with imports of $6.5 billion and exports of only $4 billion.

Magnum

Inside a big copper mine near Rancagua, Chile.

The collapse of the Chilean economic "miracle" had begun. The evidence of business failures and bank insolvencies showed that the faith placed by the "Chicago boys" in private business decisions for the most "efficient" allocatioo of resources had been misplaced.

In the oew political climate in Chile, where the transition to democratic, constitutional government has begun, foreign bankers will face harder negotiating conditions than those required in dealing with the economic technocrats of the last decade.

— JUAN de ONIS

Venezuela Rejects the Austerity Solution

By Joseph A. Mann

CARACAS — Once viewed as a low-risk lending target by international banks because of its multibillion-dollar oil revenues, Venezuela today has joined the ranks of international credit problems.

As a result of a steep decline in petroleum income and consistently high levels of domestic government spending, the country is running far behind in repayment of principal and interest on foreign debt estimated at $32.6 billion. Public-sector obligations with overseas banks now stand at $25.3 billion, while private sector debt is estimated at $7.3 billion.

The Christian Democratic government of President Luis Herrera Campins has asked banks to refinance $18.4 billion in public-sector debt falling due this year and next year, and wants bankers to stretch out loans to Venezuelan businesses and financial institutions for at least three more years.

In an effort to press both foreign banks and his own government for an early solution, Venezuela's finance minister, Arturo Sosa Jr., has threatened to resign if a refinancing plan is not approved by Sept. 30. The government's three-month moratorium on most public-sector principal payments expires that day.

But major differences persist in negotiations between the Venezuelan government, representatives of more than 400 creditor banks and the International Monetary Fund, which is attempting to mediate in the restructuring talks. Most foreign bankers in Venezuela have little hope that any comprehensive rescheduling package can be worked out before a new government takes over in January.

The Herrera administration has rejected the IMF's prescriptions for economic recovery, and many bankers believe that it will be impossible for the government to implement harsh economic measures in the circus-like atmosphere surrounding the presidential elections, set for Dec. 4.

"What we'll probably see is a Costa Rica-style solution for Venezuela," an American banker said. "That means nothing will happen until the new government is in office." Costa Rica encountered serious debt refinancing problems during a recent presidential election year, and bankers decided to wait and hold negotiations with the incoming government, since the outgoing government could not guarantee the execution of an economic recovery plan.

While Venezuela's foreign debt is far less than the $80 billion to $90 billion range of Brazil and Mexico, it nonetheless represents a thirtyfold increase over the country's foreign debt of a decade ago. Despite large increases in government oil revenues after 1973, two successive administrations borrowed heavily on international finance markets to pay for costly development programs in industry, agriculture and public works.

Although Venezuelan government entities regularly missed loan payments in recent years, primarily because of sloppy debt management, there was no real problem in servicing foreign debt until last year, when the country's oil exports fell to $15.7 billion, from $19.1 billion in 1981 and $18.3 billion in 1980.

At the same time, the effects of other problems began to be felt. Four years of domestic recession, government mishandling of the economy and the near failure of the country's largest bank, Banco de los Trabajadores, provoked a sharp drop in confidence hoth at home and abroad, and caused capital flight amounting to about $8 billion in 1982 alone.

Early this year, continued weakness in oil prices plus an inability to refinance the government's maturing external debt caused an acceleration of capital outflows. By mid-February the country was sliding toward a full-blown crisis.

The authorities imposed exchange controls — a measure not seen for two decades — and instituted a three-tier exchange rate for the nation's currency, the bolivar.

The Herrera administration also realized early this year that it would not be able to repay foreign banks the more than $18 billion coming due this year and next. This problem, while tied to falling oil revenues, was mainly a product of other factors. The Herrera regime had failed to establish a practical debt-service profile and did not notice that more than $13 billion in foreign maturities was coming due in 1983.

"Someone in the Venezuelan Finance Ministry had to be rather slow," a British banker commented. "Venezuela's annual debt service ran from $2 billion to $3 billion up through 1982, then jumped to $13 billion this year. The people running the administration's debt program must have been asleep."

Another factor was the reluctance of many foreign banks to refinance Venezuela's maturing debt following the uncertainty caused by the war over the Falkland Islands.

At the beginning of this year, as government agencies began missing loan payments with alarming regularity, the Herrera administration asked banks to grant a moratorium on principal payments for most of its outstanding foreign loans. The most recent moratorium on principal payments expires at month's end, but foreign bankers expect the Venezuelans to seek another extension.

Talks are under way on rescheduling much of Venezuela's foreign debt, but the Herrera government has been unable to reach agreement with foreign banks and the IMF on the shape of an economic restructuring program.

The IMF has recommended substantial reductions in government spending, new taxes, the elimination of price controls and domestic subsidies on oil prices, and a unification of the exchange-rate system.

Argentina: Questions on Civilian Rule Begin

(Continued From Preceding Page)

year and showed a 7.5-percent first-quarter growth this year.

Such abundance, coupled with the current government's success in getting the emergency financing needed to hold the country together until power is handed over to civilians, has pushed the once-burning deht issue into the background.

But Argentina's guarded optimism over the course of debt negotiations thus far may falter after the Oct. 30 presidential, legislative and municipal elections. While the government of President Reynaldo B. Bignone has been credited with holding down imports to a bare minimum and keeping a lid on puhlic spending, pressure for salary increases and last-minute appropriations by the military rulers before they leave office may cootribute to an enormous strain on the federal budget.

"The fourth quarter is going to be a real problem, because it coincides with the lame-duck government," said a Western diplomat. "The shorter the transition period, the better."

Argentina's current cash-flow problems also have been exacerbated recently by the growing practice of underinvoicing exports, a phenomenon encouraged by the widening gap between the official and blackmarket price of the dollar on the foreign-exchange market. The official price of the dollar at mid-September reached 12 pesos, while the black market price was 22.

Beyond the inevitable inflationary push by the outgoing military government, there remains the question of what attitude the incoming government will take when confronted with IMF-inspired strictures on spending, as well as with an explosion of popular expectations.

Both the traditionally favored Peronist Party and its closest rival, the Radical Party, have pledged that, if elected, they would not go to such an extreme as debt renunciation.

But assurances are little comfort to banking representatives, who feel certain that the victorious party will read into its popular mandate a right to toughen Argentina's stand in talks with its creditors. The urgency of the negotiations is reflected in the fact that Argentina will need help with more than $8 billion in payments coming due oext year.

"If the bankers come in with the attitude that the problem is Argentina's and only Argentina's, I think you'll see a toughening up of our bargaining position," said Roberto Lavanga, a top Peronist economist.

Neither the Peronists nor the Radicals appear willing to allow IMF-imposed austerity to cut further into workers' purchasing power. The Peronist presidential nominee, Italo Argentino Luder, and the Radical candidate, Raúl Alfonsín, have both steered away from suggesting that more cuts in real wages are needed to meet the country's foreign obligations.

In a dramatic turnaround from the days of industrial development fostered by high tariffs and hefty subsidies, a labor surplus has developed in a country accustomed to importing large numbers of foreign workers.

"The comparative advantage enjoyed by Argentina in today's international market is its low wage level," said the respected independent daily newspaper La Nacion.

Peru Battles Inflation, Social Unrest

By Nicholas Asbeshov

LIMA — The Peruvian Congress spent much of August pushing through a law to set limits for monthly price increases on such basic necessities as gasoline, bread and electricity. The law stipulated increases of about 3.5 percent a month.

The Congress had intended, in a combination of vote-seeking and genuine anger over the ballooning of the inflation rate — it has jumped this year from 70 to 170 percent on an annual basis — to prohibit the price rises altogether.

But even before the Congress acted, the Finance Ministry and the Central Bank were launching a financial package to bring the government-ordered price rises of the first seven months of the year down from about 10 or 11 percent a month to around 3.5 percent.

So the Congress was just putting its oar into waters already being oiled over by the economic team — which, as elsewhere in Latin America, is made up of technocrats rather than politicians — and its efforts served to demonstrate the legislators' minimal influence over economic and financial policy.

Moreover, the price-ceiling law was the only bit of legislation the Congress has passed since the 1983 session opened at the end of July. For many Peruvians, this was par for the course for the democracy that succeeded 12 years of military rule in 1980. All this comes at a time when Peru is limping through the worst slump since statistics have been kept, (with its foreign debt estimated at more than $11 billion).

For now, the ineffectiveness of the Congress and the gravity of the economic crisis do not seem to be reflected in social unrest, as President Fernando Belaúnde Terry, 71, moves into the fourth year of his second term (he was elected to his first term in 1963, but was overthrown by the military in 1968 in the middle of a financial crisis).

The constitution allows ministers to force through "extraordinary" legislation "in the national interest." In theory the system allows for discussion of legislation between ministers and congressmen. But as Eduardo Calmell del Solar, a leading member of the ruling party, said, "Sure we discuss government decrees; the only problem is that we discuss them when they're already set."

These procedural points suddenly are very important as the government struggles to persuade Peruvians that it really does have inflation under control. The people are skeptical — and with some reason.

An International Monetary Fund team is coming to Peru this month on what officials in Lima say is a routine checkup, but which in fact will include preliminary discussions of a new agreement. This would be preceded by an urgent request for a waiver of the present extended fund facility agreement. Peru, in other words, has failed for the second year in a row even to come close to complying with the agreement. Last year, the budget deficit was supposed to be 4.2 percent of the gross national product, but it came in at more than 9 percent. This year the target was 4.1 percent, but it is heading for 9 percent or higher, according to a Finance Ministry official.

The government says that it has good reasons for this latest failure: It is having to pay the cost, in terms of lost production and reconstruction spending, of the flood that devastated the northern coast during the first five months of the year and of the drought in the southern highlands — both the result of the periodic El Niño ocean current which, meteorologists say, could be repeated this coming year.

"There's just no doubt that the floods have cost us the extra percentage points many times over," said Richard Webb Duarte, the executive president of the Central Bank. Mr. Webb and other officials point out that government expenses, and above all investment projects — dams, irrigation works and roads — have been cut back extensively. Construction companies say that their contracts have been cut and that the Treasury owes them substantial sums for the small amount of work already completed — the total payments backlog is said to be $40 million.

Doubts persist that the Belaúnde administration has the political muscle to control an economic crisis that even government economists say will continue at least until the middle of next year. Government spending cuts have been extensive but also selective: In Lima, workmen are busily repairing roads and cleaning parks, a last-minute effort to curry electoral favor before municipal elections in November. Diplomats point also to the decision at the end of last year to purchase 26 Mirage-2000 fighter-bombers at a cost, spread over 10 years, of $870 million. Meanwhile, the navy has contracted in the Netherlands for $116 million worth of refitting of old cruisers and destroyers, and equipment suppliers in Peru say this is just the beginning of a $1-billion program.

General Francisco Morales Bermúdez, who was president from 1975 to 1980, has raised questions about the military spending: "Who sells this equipment to us? Who finances them? Who is interested in fomenting discord between neighbors here and elsewhere in the underdeveloped world?"

Internal discord has become dramatic this year, with the rise to prominence of Sendero Luminoso, or Shining Path, a militant guerrilla group. Sendero, which espouses a Maoist philosophy, has been gathering strength in recent years in the isolated valleys and ranges of the south-central Andes, centered on the old colonial city of Ayacucho.

The police struggled unsuccessfully to cope with the guerrillas until President Belaúnde finally decided to use the military. Official figures are not clear, but at least 1,000 people have been killed this year either by the police and army forces or by Sendero.

Sendero bombings have blacked out Lima and destroyed factories. Earlier this year, the guerrillas machine-gunned and dynamited the Acción Popular ruling party headquarters and a police station, killing two persons in each attack and wounding dozens. Sendero says that it plans to take over the country by 1990.

In Mexico, Draconian Measures Are Working

(Continued from Page 9)

voiced approval of Mr. de la Madrid for at least keeping his word that the shareholders would be paid back. Furthermore, as Mr. Carral of Bank of America noted, "The bankers themselves couldn't agree how much their properties were worth or how they wanted to be paid."

The indemnification controversy served to highlight the often subtle political forces constraining the Mexican presidency, with its seemingly monarchical powers. Mr. de la Madrid was plainly disgruntled last year when the bank nationalization plan was announced, and Mr. López Portillo later let it be known that his successor, then president-elect, was "informed, not consulted" about the decision.

Yet a reversal of the decree would have provoked bitter resentment in labor circles, observers say. And without union cooperation, President de la Madrid could never have implemented his austerity program: Despite inflation rates of 80 percent this year and 100 percent in 1982, organized labor has settled for pay raises of less than 50 percent annually. Leaders of the major unions have also refrained from public attacks on the rising unemployment rate, even though 800,000 workers are said by the government to have lost their jobs in the heavily unionized contruction sector alone.

Politically, Mr. de la Madrid has probahly gone as far as he can toward satisfying the private sector clamor for a "denationalization" of the commercial banking system, a local analyst said. Aside from indemnifying the former bank owners, the administration will soon put up for sale 34 percent of the shares of the nationalized banks, with the restriction that no individual or company can purchase more than 1 percent of the outstanding stock. The government also plans to sell the bank-owned shares of private companies that were acquired through the nationalization.

In another move applauded by many in the business community, the government is halving the number of Mexico's commercial lending institutions, eliminating some of the original 60 nationalized banks and loan associations and merging others. Even before their nationalization, many of the smaller lending firms were virtually bankrupt, and some banking clients believe service will be improved by this streamlining.

But the former bankers and some other businessmen see these changes as unwelcome evidence of further consolidation of state control over the nation's financial network. "The banking system is not the same as it was," said a prominent Mexico City industrialist, who asked oot to be named. He said many management-level employees had left "since the nationalization, and those that have stayed are taking an increasingly bureaucratic approach to loans."

The manager of a major branch office of Banamex, Mexico's second-largest commercial hank, agreed that the state takeover had affected lending procedures. "We are forced to be more cautious," said the banker, who requested anonymity. "Every individual branch is supposed to show a consistent profit now, so we don't look for new clients, which always carries a risk. It is safer for our jobs to just maintain the status quo."

Some businessmen, however, defended the performance of the state-run banks, attributing bureaucratic obstacles to the awkward transition from private to state ownership. And the main factor affecting portfolio management, they say, is the acute liquidity sqoeeze that took hold in Mexico well before the nationalization.

In his state of the nation message, the president repeated his pledge that the banks will be run "for the people, not for a new minority of leaders." He said that bank deposits, attracted by record fixed-term interest rates of 55 percent and higher, have quadrupled since last year. Mr. de la Madrid also reported that commercial lending activity has "nearly doubled" since last May.

NYSE Most Actives

	Vol.	High	Low.	Close	Chng
ATT	19084	67¾	66	67½	— ¼
NwstEn	19029	30¾	30⅛	30½	+1⅛
Avon	14111	25⅞	24½	24⅞	—2⅜
GulfOil	12276	45⅛	43¼	40	+1½
MerLy s	11789	39⅝	38⅞	39½	+ ¼
ToyRU s	10958	47¼	44⅛	44½	—2⅜
IBM	10709	124⅛	123⅞	122	— ⅞
DiamS	9482	25½	28	25¼	+ ½
BeatFd	8494	30	29⅛	29¾	+1⅛
PanAm	8438	7⅝	7⅜	7⅝	+ ⅛
Unocal	8392	21¼	30¾	21	— ½
Exxon	7361	37⅞	37	37½	— ¼
BnkAm	6877	21½	21⅛	21¼	— ⅜
Chryslr	6870	39⅝	28⅝	28⅝	— ⅜
Digital	6852	109⅞	106⅛	106¼	—2

Dow Jones Averages

	Open	High	Low	Close	Chng
Indus	1249.49	1255.89	1236.79	1243.29	— 5.90
Trans	590.92	595.66	582.84	586.09	— 3.95
Util	132.90	134.06	132.32	133.62	+ 0.43
Comp	499.47	502.71	494.22	497.16	— 2.15

NYSE Diaries

	Close	Prev.
Advanced	707	1016
Declined	858	591
Unchanged	410	378
Total Issues	1975	1985
New Highs	44	76
New Lows	8	8

NYSE Index

	High	Low	Close	Ch'ge
Composite	97.92	97.45	97.46	—0.46
Industrials	114.02	113.42	113.42	—0.54
Transp.	97.67	97.10	97.10	—0.47
Utilities	48.77	48.67	48.72	—0.05
Finance	99.05	98.58	98.58	—0.41

Odd-Lot Trading in N.Y.

	Buy	Sales	*Sh'rt
Sept.20	127,819	419,454	933
Sept.19	164,497	404,480	1,029
Sept.16	154,269	328,419	1,228
Sept.16	155,473	323,757	881
Sept.14	154,965	321,036	965

*Included in the sales figures

Wednesday's NYSE Closing

Vol. at 4 p.m.	91,290,000
Prev. 4 p.m. Vol.	103,050,000
Prev Consolidated Close	120,422,240

Tables include the nationwide prices up to the closing on Wall Street

AMEX Diaries

	Close	Prev.
Advanced	273	318
Declined	355	291
Unchanged	197	213
Total Issues	825	822
New Highs	15	19
New Lows	7	5

Standard & Poors Index

	High	Low	Close	Ch'ge
Industrials	191.97	188.38	189.74	—0.98
Transp.	32.29	31.61	31.77	—0.24
Utilities	66.87	66.06	66.52	—0.02
Finance	19.80	19.19	19.31	—0.11
Composite	170.35	167.24	168.41	—0.84

NASDAQ Index

	Close	Ch'ge	Week Ago	Year Ago
Composite	302.26	—0.10	298.34	188.62
Industrials	363.10	—0.35	358.94	216.03
Finance	283.27	+0.78	275.92	175.25
Insurance	267.36	—0.85	261.93	202.44
Utilities	293.11	—5.40	288.07	213.16
Banks	200.10	+0.55	195.91	133.03
Transp.	283.24	—0.07	276.13	175.00

Dow Jones Bond Averages

	Close	Ch'ge
Bonds	71.29	—0.05
Utilities	40.65	—0.08
Industrials	72.93	—0.02

AMEX Most Actives

	Vol.	High	Low.	Close	Chng
AMBld s	3204	6	3⅛	4⅞	—1⅛
Action s	2413	12⅞	12	12⅞	+1⅛
WangB s	2403	34½	34	34⅛	— ⅛
ImpCh	2127	8⅛	7⅞	8	— ⅛
Cyprus	1375	4	3⅞	3⅞	— ⅛
BeefCh n	1082	5¾	5⅛	5⅛	— ¼
DomeP	1027	4½	4⅜	4⅜	—⅛
Cosbin s	1011	5⅛	4⅞	5⅛	+ ⅛
Heizer	927	13⅛	12¾	13	— ¼
Amdhl s	895	19⅛	18⅞	18⅞	— ⅛

AMEX Stock Index

High	Low	Close	Ch'ge
237.82	236.44	236.46	— 1.17

(Continued on Page 14)

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WALL STREET WATCH

By EDWARD ROHRBACH

Analysts See Market at New Heights, Or Starting Violent Decline, or Both

With the stock market hitting a new high this week, the rarefied air has as many analysts dizzy and gasping for breath as those beady with optimism.

A prominent skeptic is Morgan Stanley's John A. Mendelson, the firm's technical expert. In May, he saw the bull market's first leg over and predicted a "long, boring, low-volume decline" lasting most of 1983.

"This view is beginning to shift toward expectation of a more violent decline, something like the sharp break of October 1978," he says now.

His foreboding of another October massacre for stocks is based on "divergences" he sees between the record-breaking performances of the 30 issues in the Dow Jones industrial average and the lagging general market.

'The speculative froth is off the market for now,' says Grayson Market Advisory. 'The market has become very selective.'

"Virtually every stock market statistic is now showing significance divergence against the DJIA," he warns.

Mr. Mendelson notes that such major inconsistencies on Wall Street — such as the "new highs" list on the New York Stock Exchange's failing to mirror the Dow's robust advance — do not usually continue very long.

"Obviously, they can be corrected by the general market rising to meet the DJIA or the Dow average getting in line with the rest of the market. Unfortunately, the latter appears imminent."

But Martin Zweig, editor of the Zweig Forecast market advisory letter, dismisses these divergences as no problem.

"I expect the Dow's new high will encourge more public buying (and, on the other hand, some institutional profit taking)," he said. "This should help secondary stocks to begin playing catch-up with the big stocks."

Mr. Zweig has moved his model portfolio this week up to an 80-percent invested position with the recommendation of four new buys: AMR, ARA Services, General Dynamics and Revco D.S.

Stocks "back in buying range" are Visual Technology, Ultimate and Tampax. Mr. Zweig also favors the regional banks, especially Trust Company of Georgia, as well as Walgreens, Golden Nugget and U.S. Tobacco.

"The caution flag for equities remains up," comments J. Anthony Boeckh in the Bank Credit Analyst of Toronto. "The market remains vulnerable to a continuation of the corrective process, either in the form of basebuilding in the averages and selective correction of individual sectors, or in the form of a terminal shakeout."

Interest-Rate 'Downtrend'

"Blue chips is where most of the action will be for a while," states another investment letter, Grayson Market Advisory. "Not until interest rates resume a sharp downtrend are the more speculative areas of the market likely to show much in the way of sustained gains."

The letter notes that from August 1982 until last May stocks in the Dow trailed the performance of the OTC, American Exchange and broader-based NYSE averages, while since then the reverse has been true.

"It tells us the speculative froth is off the market for now," Graysoo says. "The market has become very selective. Looking at breadth and other technical indicators confirms that the market is being held up by only a few stocks while many undergo significant corrections."

But the Roesch Market Memo says: "Many think this building second leg of the bull market — which should carry through this year — will feature the 'Nifty Fifty' Blue Chips and other large capitalization stocks (mostly cyclicals). We disagree with that assumption strongly. We think the winners will be those companies — of whatever size and ilk — that show a viable, reliable earnings growth trend."

A slide in interest rates should continue to propel Wall Street higher for about two months, says Henri Couzineau, portfolio manager at Crédit Industriel et Commercial, a Paris bank.

"But the Federal Reserve's current policy of pumping more money into the system promises to make the rally short-lived by again backing up rates around the first of December," he said.

He expects the Dow average to top out at aboot 1,300, then retreat about 100 points until the cyclical economic recovery gets translated into sharply higher profits for selected companies.

Mr. Couzineau favors the hospital management stocks, and mentioned Hospital Corp. of America, Lifemark and Humana. Other market leaders he picks are Waste Management, Baxter Travenol, Johnson & Johnson, Abbott Labs, Gannett, Dun & Bradstreet and Schlumberger.

Robert Prechter, publisher of the Elliott Wave Theorist of Gainesville, Georgia, says the fifth and final wave of the great Elliott bull market that began in 1932 will carry the Dow to 3,600 territory during 1987. His forecast is based on a market momentum figure achieved last July that was the highest since 1943. Near-term, he sees an intermediate wave under way that "should top Dow 1,340, with early October the most likely time for a peak."

International Herald Tribune

CURRENCY RATES

Interbank exchange rates for Sept. 21, excluding bank service charges

	$	£	D.M.	F.F.	ITL.	Gldr.	B.F.	S.F.	D.K.
Amsterdam	2.9825	4.493	111.875 *	37.08 *	0.1859	—	5.542 *	138.12 *	31.125 *
Brussels(a)	53.87	81.0525	20.1985	6.6798	3.3583 *	18.057	—	24.93	5.62
Frankfurt	2.667	4.0165	—	33.09 *	1.664 x	89.40 *	4.955 *	123.43 *	27.85 *
London (b)	1.5056	—	4.0135	12.1308	2,411.14	4.489	81.075	3.2513	14.4158
Milan	1,602.55	2,413.50	601.39	198.83	—	537.65	29.77	741.95	167.45
New York	—	1.502	0.3745	0.1239	0.0624 *	0.3348	0.0186	0.4626	0.1044
Paris	8.059	12.133	302.36 *	—	5.027 x	270.21 *	14.975 *	372.98 *	84.15 *
Zurich	2.1608	3.2531	81.02 *	26.80 *	0.1348	72.425 *	4.01 *	—	22.56 *
1 ECU	0.8529	0.5663	2.2729	6.8715	1,366.70	2.5626	45.9007	1.8417	8.164
1 SDR	1.05162	0.69829	2.80362	8.47501	1,685.22	3.1365	56.6087	2.271	10.0687

Dollar Values

$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$
0.891	Australian $	1.1223	0.016	Israeli shekel	62.185	0.4669	Singapore $	2.1415
0.0533	Austrian schilling	18.735	0.0041	Japanese yen	242.20	0.9041	S. African rand	1.106
0.0182	Belgian fin. franc	54.725	3.4317	Kuwaiti dinar	0.2914	Clsd	S. Korean won	—
0.8114	Canadian $	1.2323	0.4254	Malay. ringgit	2.3505	0.0065	Span. peseta	152.11
0.1044	Danish krone	9.5785	0.1349	Norw. krone	7.4085	0.127	Swed. krona	7.8735
0.1755	Finnish mark	5.695	0.0714	Phil. peso	14.0056	Clsd	Taiwan $	—
0.0107	Greek drachma	93.05	0.008	Port. escudo	124.286	0.0405	Thai baht	24.691
0.1287	Hong Kong $	8.285	0.2873	Saudi riyal	3.4795	0.2722	U.A.E. dirham	3.673
1.1755	Irish £	0.8507						

£ Sterling: 1.282 Irish £

(a) Commercial franc (b) Amounts needed to buy one pound (*) Units of 100 (x) Units of 1,000
N.Q.: not quoted; N.A.: not available.

INTEREST RATES

Eurocurrency Deposits

Sept. 21

	Dollar	D-Mark	Swiss Franc	Sterling	French Franc	ECU	SDR
1M.	9 7/16 - 9 9/16	5 7/16 - 5 9/16	4 1/2 - 4 5/8	9 5/8 - 9 3/4	12 1/4 - 12 1/2	8 7/8 - 9 1/8	8 3/4 - 9
2M.	9 5/8 - 9 3/4	5 7/16 - 5 9/16	4 7/16 - 4 9/16	9 5/8 - 9 3/4	13 - 13 1/4	9 - 9 1/4	8 7/8 - 9 1/8
3M.	9 11/16 - 9 13/16	5 5/8 - 5 3/4	4 7/16 - 4 9/16	9 5/8 - 9 3/4	14 1/4 - 14 1/2	9 1/4 - 9 1/2	9 - 9 1/4
6M.	9 7/8 - 10	5 15/16 - 6 1/16	4 5/8 - 4 3/4	9 5/8 - 9 3/4	15 7/8 - 16 1/8	9 7/8 - 10 1/8	9 1/4 - 9 1/2
1Y.	10 1/8 - 10 1/4	6 1/4 - 6 3/8	4 13/16 - 4 15/16	9 7/8 - 10	16 3/4 - 16 7/8	10 - 10 1/4	9 1/2 - 9 3/4

Key Money Rates

United States	Close	Prev.
Discount Rate	8 1/2	8 1/2
Federal Funds	9 1/2	9 1/8
Prime Rate	11	11
Broker Loan Rate	10 1/4	10 1/4
Comm. Paper, 30-179 days	9.12	9.25
3-month Treasury Bills	8.94	8.91
6-month Treasury Bills	9.01	8.98
CD's 30-59 days	8.70	8.80
CD's 60-89 days	8.75	8.90

West Germany	Close	Prev.
Lombard Rate	5.50	5.50
Overnight Rate	5.50	5.50
One Month Interbank	5.70	5.70
3-month Interbank	5.90	5.80
6-month Interbank	6.35	6.35

Japan	Close	Prev.
Discount Rate	5 1/2	5 1/2
Call Money	6 7/16	6 1/2
60-day Interbank	6 7/16	6 7/16

Britain	Close	Prev.
Bank Base Rate	9 1/2	9 1/2
Call Money	9 7/8	9 3/4
91-day Treasury Bill	9 1/4	9 1/4
3-month Interbank	9 5/8	9 3/4

France	Close	Prev.
Intervention Rate	12 1/4	12 1/4
Call Money	12 3/8	12 3/8
One-month Interbank	12 3/8	12 1/4
3-month Interbank	12 7/16	12 7/16
6-month Interbank	12 1/2	12 1/2

Sources: Commerzbank, Bank of Tokyo, Lloyds Bank.

GOLD PRICES

	A.M.	P.M.	Ch'ge
Hong Kong	411.95	411.85	— 1.50
Luxembourg	412.00	—	— 1.50
Paris (12.5 kilo)	412.98	413.15	— 0.47
Zurich	411.55	411.75	— 0.75
London	412.00	411.25	— 1.10
New York	411.25	—	— 1.10

Official fixings for London, Paris and Luxembourg, opening and closing prices for Hong Kong and Zurich. N.Y. Handy & Harman. U.S. dollars per ounce.

Petroven's Challenge to Calderón Berti

Big Revenue Decline, Scandal Are Hurdles

By Kenneth N. Gilpin

New York Times Service

CARACAS — By any measure, the past 12 months have been difficult ones for Petróleos de Venezuela. The state-owned oil company is one of Latin America's largest business concerns, and its 40,000 employees generate $15 billion a year, more than 90 percent of the country's foreign exchange earnings.

Among other things, the holding company, set up in 1976 with the nationalization of affiliates of Exxon, Shell and Mobil, has been hit by a sharp drop in revenue and rocked by an internal scandal.

It has a new president, Humberto Calderón Berti, whose appointment has been criticized by many in the industry as well as by the presidential candidates from both of the country's major political parties. Indeed, both candidates have said they intend to replace him after the elections in December.

The company also has a short-term cash flow problem.

All this has come as something of a shock for the Venezuelans: Since the first well began pumping here 70 years ago, they have tended to shrug off many of their problems with the saying, "There is oil enough for everything."

To be sure, if anything, there is more oil now than there ever was as a result of a vast program designed to increase the nation's proven reserves and improve the ability of Petroven, as it is known, and its operating companies to pump them. Between 1976 and 1982 Petroven's investment budget increased tenfold, to $3.95 billion. Thus, no one doobts the company will survive.

But questions persist about how it will emerge from its current tribulations. "This year and oext are critical ones," said Kim Fuad, director of the Daily Journal, Venezuela's English-language oewspaper.

To be fair, the problems that the company faces are not, in the main, of its own making.

They began last September, when the government asked Petroven to help ease the nation's foreign exchange crisis. In 1982 the company had revenue of $15.6 billion, and the government asked that about $6 billion in liquid assets be transferred to the central bank.

If the oil market had not turned sour, Petroven might have been able to overcome the freezing of the $6 billion. But the oil market did go bad, and the decision in March by the Organization of Petroleum Exporting Countries to cut its prices by 15 percent hurt badly.

As a result, the company oow forecasts that revenue for 1983 will decline by $2 billion from levels a year earlier to $13.7 billion, and stabilize at that level next year.

In the company's sprawling, ultramodern headquarters in downtown Caracas, visitors have to pass through two sets of security

(Continued on Page 15, Col. 1)

United Press International

Humberto Calderón Berti at a meeting of OPEC last March in London.

U.S. Estimates GNP Growing at 7% Annual Rate

By John M. Berry

Washington Post Service

WASHINGTON — The U.S. economy is expanding at a 7-percent annual rate this quarter, down from the second quarter's very strong 9.7-percent pace, the Commeree Departmeot reported Wednesday.

The 7-percent rate of increase in the gross nadonal product, adjusted for inflation, is about in line with the expectations of most forecasters, and is an indicatioo that the economic recovery that began last December will continue for the remainder of this year and possibly for much longer.

Inflation, as measured by the GNP implicit price deflator, is running at a 3.2-percent rate this quarter, virtually the same as the 3.3-percent rate for the second quarter, the department said.

Treasury Secretary Donald T. Regan called the report "one more signal that this recovery is on track. We want solid and steady economic expansion and we are getting it."

The third quarter GNP figure — the department's so-called flash estimate — is based on preliminary statistical results. This was the first time that these figures have been released officially, though they have regularly been leaked in the past.

For that reason, the report warned that the figures "may be subject to larger revisions" than those in the regular GNP estimates. "Nevertheless," it added, "the flash estimates included in this release are expected to be generally reliable in indicating the direction of change in economic activity and whether the change is large or small."

In its second revision of the second quarter oumbers, the department raised its estimate of real GNP from a 9.2-percent rate of increase to 9.7 percent. Originally the figure was estimated at 8.7 percent.

As the second quarter figures for real output have risen, those for inflation have dropped. The implicit deflator has gone down from 4.5 percent, to 3.5 percent, and now to 3.3 percent.

The estimate for second quarter corporate profits, meanwhile, was revised upward. Profits from current production increased $36.4 billion to a seasonally adjusted anoual rate of $218.2 billion. That is $3.5 billion above the preliminary estimate made a month ago and oearly double the first quarter's $19.9 billion increase, the department said.

Jerry Jasinowski, chief economist for the National Association of Manufacturers, said he expects the final third quarter figures to show a stronger increase in economic activity than indicated by the flash estimate.

"There is no indication that this recovery is significantly slowing down in the third quarter," Mr. Jasinowski declared. "While the 7-percent flash estimate is itself high, it appears that the final report for the third quarter will show even faster growth, in the area of 8 percent, as retail and auto sales pick up in September.

"There is a lot of steam in the recovery for the rest of 1983," he continued. "With inventories at historically low levels, we can expect a general rebuilding of stocks in the third and fourth quarters. Healthy consumer demand and a modest pickup in efficiency related capital spending will reinforce this trend."

Martin Feldstein, chairman of the Council of Economic Advisers, said Tuesday that he believes real output will increase at an average of 6 percent to 7 percent for the second half of this year. In other words, he thinks that the fourth quarter will be quite strong, too.

However, some other forecasters think the final number for the current quarter could turn out to be lower rather than higher than 7 percent, particularly if consumer spending remains as weak as it was in July and August.

But even the more pessimistic economists generally agree with Mr. Jasinowski that business efforts to rebuild depleted inventories will keep oew orders for factory goods flowing and keep GNP rising through year's end. The fourth quarter increase could well be no more than 4 percent or so, they say.

N.Y. Stocks Slide Back in Profit-Taking

United Press International

NEW YORK — Iovestors cashed in on profits Wednesday in fairly active trading on the New York Stock Exchange, driving the Dow Jones industrial average down from its latest record high.

The blue-chip issues that have been in the spotlight the past two weeks were the ones that came under fire. Takeover situations also attracted some attention.

The Dow traded in a narrow range most of the day, closing down 5.9 to 1,243.29. It rose 15.25 poiots Tuesday to a record 1,249.19. Several analysts said they had expected some investors to take profits Wednesday.

Declines led advances 9 to 7. Volume was 91.3 million shares, down from 103 million Tuesday.

"The response to Tuesday's new high was one big yawn," said Anthooy Tabell, partner in Delafield, Harvey & Tabell of Princeton, New Jersey. "The market hasn't dooe anything spectacular io four months and maybe it woo't do anything for another few months."

The bond market, faced with a $14.25-billion Treasury refunding, also faltered after rallying Tuesday. "There was oo follow-through in either market and that made some people oervous," said Hugh Johnson of First Albany.

"The market is caught between institutions dressing up their portfolios for the fourth quarter and some traders doing long-term profit-taking from the year-old bull market," said Barry Berlio of Shearson/American Express.

Investors were still optimistie about prospects of the Federal Reserve's easing credit in the oear future, since the U.S. money supply growth has slowed in the past month.

A group of experts predicted late Tuesday that the Fed would report a $200-million decline in the money supply this Friday, which would make conditions ripe for easier credit. Even though the supply rose

American Telephone & Telegraph was the most active NYSE-listed issue, off 1/4 to 67 1/2; the company said it would seek to cut long-distance telephone rates.

Northwest Energy was second on the list, up 1 5/8 to 38 1/2. Williams Cos. added 1/2 to 26 3/4. Northwest, which had been sought by Allen & Co., agreed to merge with Williams in a transactioo valued at more than $725 million.

Avon Products was the third-most active issue, off 2 5/8 to 24 7/8. The company said its third-quarter earnings would be well below analysts' estimates. Revlon fell 1 1/8 to 31 3/4.

Coleco Industries lost 1 7/8 to 37 5/8; the company again delayed shipment of its Adam home computer to retailers. Texas Instruments shed 2 1/4 to 116 3/4. The stock skidded skidded 3 1/4 Tuesday after the company said sales of home compoters and related products were below planned levels in July and August.

Switzerland Makes Formal Protest To U.S. Over Marc Rich Subpoena

By Marcus Ferrar

Reuters

BERN — The Swiss government formally protested to Washington on Wednesday over U.S. attempts to seize evidence against the international commodities trader, Marc Rich & Co., in Switzerland.

Matthias Kraft, a senior Foreign Ministry official, said at a news conference that a U.S. Energy Department subpoena of Aug. 25 ordering the Swiss-based company to hand over documents violated international law because it infringed on Swiss sovereignty.

Swiss Ambassador Antoo Hegner was directed to make a formal protest at the U.S. State Department on Wednesday.

The Justice Ministry, meanwhile, ordered Marc Rich & Co., which is based in Zug, to refrain from handing over the documents sought by the Energy Department. The penalty for disobeying the order would be up to three months in prison or 20,000 Swiss francs (about $9,000) in fines.

Marc Rich, 49 years old, an American of Belgian origin, and his companies and two associates face the largest tax-evasion case in U.S. history. An indietment issned Monday in New York accused them of evading $48 million in U.S. taxes. They were also charged with mail and wire fraud, racketeering, conspiracy and illegally buying oil from Iran while Americans were held hostage in Tehran.

On Aug. 12, Swiss prosecutors confiscated documents that Marc Rich was preparing to send to the United States from Zug to comply with another subpoena issued for the tax investigations. The Justice Ministry then cited an economic-secrecy law forbidding companies to divulge information that could harm third parties — in this case, the firm's customers.

A Justice Ministry official, Lionel Frei, said that so far Swiss authorities had not seized the documeots sought by the Energy Department but that he did not exclude this eventually.

A U.S. attorney said Monday that U.S. authorities would seek the extradition from Switzerland of Mr. Rich and an associate, Pincus Green, also an American. A Swiss government spokesman said no request had been received so far.

Mr. Frei said that there was no intention of protecting possible criminals but that it was unacceptable that court sanctions be applied in Switzerland without going through the Bern government. A subpoena is an order to produce evidence under threat of court sanctions.

The Foreign Ministry official repeated its demand that the U.S. authorities go through established legal channels, which provide for Swiss authorities to assist foreign investigations under certain circumstances.

Fiat Says Profit Rose 52% in '82

The Associated Press

TURIN — Fiat, Italy's largest automaker, said Wednesday that it earned 624 billion lire, or about $390 million at current exchange rates, in 1983's first half.

Fiat did not release earnings figures for the comparable 1982 period, but reported for the first time that it earned 137 billion lire for all 1982. That was a 52 percent gain from 1981.

Sales for this year's first half fell to 10.342 trillion lire — about $6.4 billion — from 10.866 trillion lire in 1982's first half. The sales decline in the first half reflected the sale of automotive operations in Colombia and Argentina and its steel subsidiary to Italy's state group Finsider.

Sales for 1982 rose to 20.6 trillion lire from 20.3 trillion lire a year earlier. Fiat achieved these gains despite a severe loss in its overseas auto operations, mainly in South America.

AT&T Seeks to Reduce Interstate Rates 10-15%

The Associated Press

WASHINGTON — American Telephone & Telegraph Co. announced Wednesday that it would ask federal regulators to approve long-distance rate reductions of $1.75 billion a year.

The company did not spell out a precise schedule for trimming its interstate rates. But in a filing with the Federal Communications Commission July 29, AT&T estimated that they could be slashed 10-15 percent.

AT&T said details of the cutback would be disclosed Oct. 3, when a formal tariff, or rate schedule, is filed with the agency.

Spokesman Pic Wagner said, however, that a reduction in revenue of $1.75 billion "will work out to a reduction in actual rates within that range of 10 percent to 15 percent for the average customer."

AT&T's revenue for all interstate services, including regular long-distance calls and private business-line service, totaled $21.4 billion in 1982, Mr. Wagner said. The reduction in revenue being proposed by the company thus amounts to about 8.2 percent.

If approved by the FCC, Mr. Wagner said the rate reductions would take effect Jan. 1, the day on which AT&T is scheduled to he broken apart to comply with an antitrust settlement.

As it has previously, AT&T made it clear Wednesday that the proposed reductions in long-distance rates are tied to unfettered implementation of an FCC decision to gradually eliminate the subsidies from long-distance charges that now hold down local phone rates.

"Our ability to make our planned reductions in interstate long-distance rates is dependent upon no changes or delays in implementing the FCC's order," said Morris Tanenbaum, the chairman of the AT&T division that will provide long-distance service after the breakup.

Williams Buys Northwest Energy for $735 Million

Reuters

NEW YORK — Williams Cos., au energy and fertilizer group, has acquired Northwest Energy Co. for more than $735 million, outbidding the investment house of Allen & Co., Williams announced Wednesday.

After days of negotiations, Williams said it signed a merger agreement to pay $39 a share for Northwest's approximately 18.2 million shares outstanding.

The purchase price appeared overly generous to many followers of Northwest. But they believe that Williams is hoping for changes soon in natural gas pricing that could improve the industry's prospects.

John Henry, an analyst with E.F. Hntton & Co., said his colleagues felt that Northwest, under current conditions, was worth between $32 and $34 a share.

"They didn't want a big fight," Mr. Henry said in explaining why Williams outbid Allen, a Wall Street investment house, by $8 a share. Originally, Allen had won Northwest by offering $31 a share.

Northwest apparently had wanted to get out of the agreement with Allen, first accepted in August, but it was reportedly committed by certain options it had granted Allen.

Over the past few days, speculation had arisen that the companies were bickering over the price it would take to make Allen dissolve the agreement.

Under the terms of Wednesday's transaction, Williams is offering to buy an option held by Allen for 3.34 million Northwest shares, exercisable at $31. This would provide Allen with an $8 profit per share on the sale, or a gain in excess of $26 million.

"They did great. They probably had legal fees of only several hundred thousand dollars," said an arbitrager, in referring to Allen's profit.

Other analysts, meanwhile, wondered whether indecision had cost Williams a substantial sum.

The analysts cited Williams's disclosure that it had had contacts with Northwest Energy in July.

Wednesday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street

(Continued from Page 12)

12 Month High	Low	Stock	Div.	Yld.	PE	Sls. 100s	High	Low	Close Quot.	Chg.
27	51⅛	UIPL pf	2.90	12.0		30	24¾	24	24¾	+ ¼
25¼	15	UIPL pf	2.04	12.0		43	17	16¾	17	
V										
82¾	28½	VF Cp s	1.60	2.7	9	308	60⅞	60	60⅛	— ⅜
36¾	17⅛	Valero	.40	1.3	11	251	30½	30	30	— ⅛
26	25	Valer pf	3.44	13.5		47	25⅝	25½	25½	
7⅝	4	Valeyln				61	5⅝	5½	5⅝	+ ⅛
23⅝	13⅞	VanDrn	1.20	5.3	18	24	22⅝	22½	22⅝	+ ⅛
9⅝	4⅝	Varco				70	8⅝	8½	8⅝	— ⅛
21	19¾	Varco pf	2.00	9.8		4	20½	20¼	20½	
63⅝	51½	Varian s	.26	.4	32	390	60¼	59⅞	59½	—1
21¼	7½	Varo	.40	2.1	38	317	19	18⅝	19	+ ⅜
81¼	15¾	Veeco	.24	1.1	33	473	21⅝	20¾	21⅛	— ⅜
16¼	5	Vendo			51	35	6¾	6½	6⅝	— ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.
a—dividend also extra(s).
b—annual rate of dividend plus stock dividend.
c—liquidating dividend.
cld—called.
d—new yearly low.
e—dividend declared or paid in preceding 15 months.
g—dividend in Canadian funds, subject to 15% non-residence tax.
i—dividend declared after split-up or stock dividend.
j—dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting.
k—dividend declared or paid this year, an accumulative issue with dividends in arrears.
n—new issue in the past 52 weeks. The high-low range begins with the start of trading.
nd—next day delivery.
P/E—price-earnings ratio.
r—dividend declared or paid in preceding 15 months, plus stock dividend.
s—stock split. Dividend begins with date of split.
sls—sales.
t—dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date.
u—new yearly high.
v—trading halted.
vi—in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies.
wd—when distributed.
wi—when issued.
ww—with warrants.
x—ex-dividend or ex-rights.
xdis—ex-distribution.
xw—without warrants.
y—ex-dividend and sales in full.
yld—yield.
z—sales in full.

Grains

	Open	High	Low	Close	Chg.
WHEAT 5,000 bu minimum- dollars per bushel					
Sep	3.79½	3.79½	3.75	3.75¼	+.08¼
Dec	3.95	3.97	3.90	3.90¼	+.06⅝
Mar	4.10	4.14	4.06¼	4.06½	+.06¼
May	4.17½	4.18½	4.12½	4.12½	+.05¾
Jul	4.00	4.08½	4.03	4.03¾	+.06⅛
Sep	4.14	4.16	4.10½	4.10½	+.05½

U.S. Future Prices Sept. 21

Food — Financial — Metals — Industrials — Livestock — Stock Indexes — Commodity Indexes

COMPANY EARNINGS

Revenue and profits, in millions, are in local currencies unless otherwise indicated

London Commodities Sept. 21

Figures in sterling per metric ton. Gasoil in U.S. dollars per metric ton.

Paris Commodities Sept. 21

Figures in French Francs per metric ton.

Dividends Sept. 21

NYSE Highs-Lows Sept. 21

NEW LOWS

Anacomp	BancChrt n	Erbamont n
FlowGenl	GenGwth wt	Mattel Inc
NutriSys	OakIndust	

London Metals Sept. 21

Figures in sterling per metric ton. Silver in pence per troy ounce.

Cash Prices Sept. 21

AMEX Highs-Lows Sept. 21

Imperial Gets Incentives For Oil Sands Project

New York Times Service

TORONTO — Imperial Oil Ltd. has won new government incentives to restart its oil sands project in Cold Lake, Alberta. The provincial government is greatly reducing the royalties Imperial must pay, while the federal government is easing the company's tax burden.

Similar concessions were granted in May to a project at Cold Lake sponsored by BP Canada and Petro-Canada, and are expected to be extended to other projects. Imperial, 70 percent owned by Exxon, canceled its original, much larger Cold Lake project in 1981.

BUSINESS BRIEFS

Broken Hill's Chairman Says Board Opposes Boosted Bid from Wigmores

MELBOURNE (Reuters) — The chairman of Broken Hill Proprietary Co., James McNeill, said Wednesday that BHP directors still recommend that shareholders reject the enhanced takeover bid by Robert Holmes à Court's Wigmores Ltd.

Mr. McNeill said that the changes made by Wigmores did not alter the BHP board's rejection of the offer. Wigmore's is 95-percent owned by Mr. Holmes à Court's Bell Group Ltd.

Wigmores Wednesday added 1 Australian dollar ($1.1242) in cash and an option to buy a Wigmores share for 6 dollars to its first bid of two Wigmores shares for each BHP share.

Kaiser Rejects a New Takeover Offer

FONTANA, California (LAT) — Kaiser Steel Corp. has rejected a $324.8-million acquisition bid by a Tulsa, Oklahoma-based group of investors in favor of an existing, but lower, bid from Minneapolis businessman Irwin L. Jacobs, the company's largest shareholder.

The Kaiser board conceded Tuesday that the offer from a group led by Tulsa industrialist J.A. Frates would give Kaiser's shareholders "more cash and a correspondingly reduced amount of preferred stock" than the Jacobs offer, which is nominally valued at $270.8 million.

But the board said the Frates group "does not have its financing in place, and its proposal would take at least several weeks longer to consummate, so there is less certainty of closing the Frates group proposal."

BAT Expects Profit to Rise This Year

LONDON (Reuters) — BAT Industries said Wednesday that it expects 1983 attributable profit to increase from last year at a rate well over the British inflation rate, barring adverse currency movements.

Market sources noted that the latest year-to-year retail price inflation figure, to August, was 4.6 percent. BAT's 1982 attributable net profit was £454 million, up 25 percent from 1981, on sales of £11.5 billion.

Second-half tobacco results are expected to be appreciably better than in the first half, the company said. BAT said full-year attributable profit from tobacco will nevertheless show some decline from 1982. First-half trading profit from tobacco fell to £221 million from £284 million a year earlier.

Dresdner Bank's Rate Margin Shrinks

FRANKFURT (Reuters) — Dresdner Bank has seen a small decline in its interest-rate margin (the difference between the rate at which it borrows and the rate which it charges for loans) in recent months because of the higher costs of refinancing in the money market, Hans Friderichs, a management board spokesman, said Wednesday.

The bank currently has a margin of about 2.8 percentage points in its parent bank, compared with 2.9 points at the end of June, he said.

Olivetti and Philips in Disk Venture

IVREA, Italy (Reuters) — Olivetti Peripheral Equipment, a subsidiary of the Olivetti office-equipment group, said Wednesday it agreed to develop flexible memory disks with Philips Kommunikations Industrie of West Germany, a unit of the Philips group of the Netherlands.

The agreement is intended to permit the development of advanced products and to maintain competitiveness in the international market, a statement by Olivetti said. Memory disks are used with computers to store infomation.

An Olivetti spokesman said the agreement was limited in scope and mainly involved combining research efforts. Plans for other joint operations were not under consideration, he added.

Coleco Again Delays New Computer

WEST HARTFORD, Connecticut (AP) — The due date for the delivery of Coleco Industries Inc.'s Adam computer has been pushed back again, this time to mid-October, to assure that the units are in perfect working order.

The West Hartford-based company, which already postponed the delivery from late August to late September, conceded in Wednesday's editions of the Hartford Courant that the delay may heighten questions about its credibility.

Industry interest has been sharply focused on the timing of Adam's arrival because the new Coleco personal computer is touted as a state-of-the-art item at an exceptionally low price.

U.S. Research Program Wins Antitrust Waiver

By Michael Isikoff

Washington Post Service

WASHINGTON — Attorney General William French Smith has approved an unusual joint venture of eight New England high-technology firms that have banded together to seek Defense Department contracts.

The action, announced Tuesday, includes a blanket immunity from antitrust lawsuits.

Justice Department officials said it was the first time that they have granted such approval to a small-business joint research and development project.

The department acted under an obscure section of the Small Business Act that has not been used before. One official called it "kind of a lost provision of the law."

The venture, which is known as Small Business Technology Groups Inc., was described by officials as the kind of high-technology joint project that the administration is seeking to promote.

Formed earlier this year, the Boston-based group was set up to look for government contracts, primarily from the Pentagon, for its member companies. Because the member firms have expertise in complementary areas, the intention is that they would create joint proposals for individual contracts, said Karen Hastie Williams, a laywer for the group. Of the eight companies, none has more than 250 employees and some have fewer than 10.

In a prepared statement, Mr. Smith said the group "illustrates the sort of private initiative which the government ought not to discourage. It poses no threat to competition in any market."

He also repeated the administration's recent call for passage of broader legislation that would permit larger competing companies to establish joint research and development ventures without fear of antitrust suits.

The eight members of the group are Coverdale Associates Inc. of Newton, Massachusetts, Data Signal Corporation of Newton, Expedition Electronics of Jericho, Vermont, Geo-Centers Inc. of Newton Upper Falls, Massachusetts, Millitech Corp. of Amherst, Massachusetts, PACER Systems Inc. of Burlington, Massachusetts, Spectral Sciences Inc. of Burlington, and Stratus Computer Inc. of Natick, Massachusetts.

UPI

William French Smith

China Expected to Win Entry to Textile Group

By Peter Griffiths

Reuters

GENEVA — China, the world's largest textile producer, is likely to succeed in its bid to join the Multi-Fiber Arrangement, which governs most of the world's trade in textiles and clothing, according to trade sources here Wednesday.

During talks this week, the European Community told a Chinese delegation that it welcomed China's application for membership, expected to be made formally in December, and would support it, the sources said.

The Chinese have said that they are prepared to accept without reservation all the provisions of the arrangement, they said.

Joining the MFA would be China's first major step into the world of multilateral trading arrangements since its membership in the General Agreement on Tariffs and Trade lapsed in 1950.

On Friday, the Chinese group will meet Peter Murphy, a U.S. trade ambassador who, according to diplomatic sources, will tell them that Washington also has no objection to Beijing's membership in the arrangement. The Geneva-based GATT negotiated the MFA in 1974. The MFA has been renewed several times since then, and the current arrangement expires in July 1986.

Trade sources said that even such major cotton producers as Pakistan, India and Egypt, which may fear Chinese competition, are very unlikely to object.

They are uneasy that Beijing might eat into their markets but would be happy to have its powerful support in the debate over what comes after the MFA, the sources said.

Third World textile producers argue that the MFA should be abolished because it is a protectionist system and a departure from GATT's principles of free trade.

At a meeting last week with GATT's director-general, Arthur Dunkel, the Chinese delegation made it clear that Beijing had no immediate intention of joining GATT, which would be a much longer and more complex process than gaining membership in the MFA, according to trade sources.

Nationalist China was a signatory to GATT's establishment in 1947 but withdrew in 1950. Beijing now says that the Nationalists had no right to take China out and that it could resume membership.

Cable & Wireless, U.S. Railroad in Fiber-Optic Deal

Compiled by Our Staff From Dispatches

LONDON — Cable & Wireless and the Missouri-Kansas-Texas Railroad Co. agreed to form a venture to use the railroad's rights-of-way in Texas for telecommunications cables, the British company announced here Wednesday.

The Missouri-Kansas-Texas will be the major shareholder, with 70 to 80 percent of the venture. Cable & Wireless will hold 20 to 30 percent and have proportionate representation on the board. Eric Sharp, chairman and chief executive of Cable and Wireless, said, "I hope this is only the first of a successsion of joint ventures."

A fiber-optic cable system will be laid along about 560 miles (900 kilometers) of the railroad's rights-of-way connecting Dallas and Houston by way of San Antonio and Austin. Along much of the cable route there will be a capacity of more than 24,000 voice channels.

"The initial requirement will supplement the railroad's longlines communications needs, which are currently being supplied by other telecommunications systems," Mr. Sharp said. "But the fiber-optic cable system we are planning will clearly have sufficient capacity to provide other large users with a high-quality, low-cost digital communications trunk system."

Third World Debt Will Far Exceed Earnings by '85, UNCTAD Reports

By Brij Khindaria

International Herald Tribune

GENEVA — The total debt of developing countries will reach at least $737 billion by the end of 1984, far exceeding the countries' export earnings, the secretariat of the United Nations Conference on Trade and Development said Wednesday.

A growing of number of countries will stand on the edge of bankruptcy, placing serious strains on the ability of foreign banks and international institutions to reschedule debts, UNCTAD said. It said that debt reschedulings late last year and this year may ease pressure from developing countries for a short period but that new countries are certain to reach the point of insolvency if, as the agency expects, the economic recovery in industrialized countries is too weak to bring more export income to the Third World.

In its annual trade and development report, UNCTAD says that, while the beginnings of recovery in the developed world offer "a glimmer of hope," developing countries face economic and social problems far worse than before.

The report said the Third World's medium- and long-term debt is likely to reach $637 billion by the end of next year, while short-term loans with maturities of less than 12 months should total at least $100 billion.

Although the growth of foreign debt has slowed in recent years, the total is expected to reach 128 percent of developing countries' export earnings by the end of next year, compared with 99 percent in 1981, UNCTAD said.

Even if the countries manage to earn enough to repay their debt, they will remain a long way away from being able to generate large enough export surpluses to become important buyers of Western goods, the agency predicted.

The agency estimated that the U.S. recovery would last no more than 18 months if world demand for U.S.-made products did not increase. At the same time, it said, real interest rates must drop, allowing fuller use of capacity in factories.

In addition to high interest rates, reduced private bank lending has hurt the Third World's ability to buy Western goods, the report noted, predicting that such lending would fall to $7.9 billion in 1984 from $23 billion in 1981. To make matters worse, direct foreign investment in developing countries will also drop, to $11 billion next year from $15.4 billion in 1981, UNCTAD forecast.

Although loans from multilateral agencies such as the World Bank and the International Monetary Fund should rise to $15 billion in 1984 from $10 billion in 1981, only the private sector can provide the large volume of funds needed by developing countries, through loans, direct investments and export credits, the agency argued.

The report said that developing countries would need $141 billion next year just to pay debt service and remit profits to foreign investors. But the countries are expected to run a current-account deficit of at least $76 billion, which, while less than the $121-billion deficit of 1981, makes it impossible for them even to service their debt without new loans, UNCTAD noted.

Revenue Drop, Scandal Hurdles for Petroven

(Continued from Page 13)

checks before gaining entry. But the breathtaking view from executive offices of the mountains that rise above the Venezuelan capital is worth it.

And the discussion of the challenges facing the oil company is candid, although the top officials who are willing to talk do not want their names used.

"The two things — creation of the special fund in the central bank, which paid interest but froze part of the liquidity, and the reduction in export income — have produced a short-term cash flow problem," one executive said in an interview.

The official said a variety of approaches were being examined. These include redemption of $1.7 billion worth of bonds currently held in a Petroven account at the central bank and a reduction in the company's tax rate, which on an effective basis is 82 percent of net income.

But he ruled out the possibility that the company might go to the international capital markets to raise cash, something it has never done.

Venezuela has outstanding foreign debts of more than $32 billion, $18.6 billion of which is due this year and next. The country is more than $500 million behind in its debt payments this year, and bankers are unwilling to discuss refinancing terms until the country reaches agreement with the International Monetary Fund on an economic stabilization program.

But short-term cash flow is only one of several challenges facing Mr. Calderón Berti, the new president.

Mr. Calderón Berti, the former minister of energy and mines, last month replaced General Rafael Alfonso, the man who had led the company since its establishment.

For one thing, Mr. Calderón Berti arrived just after Petroven went through its first major scandal this summer, although for the moment, talk about it has died down. Five marketing agents have been indicted by the government on charges that they sold information regarding imminent price changes to other companies and individual purchasers.

"We won't know for some time how extensive the degree of corruption was," Mr. Fuad said. "But the real concern is that it could involve more than marketing, and could have influenced winners of enormous refining and upgrading contracts."

The announcement of the indictment shocked the public, which had come to regard Petroleos de Venezuela as a government entity above reproach.

"I never thought such a thing could happen," said one company executive who knows all the men involved. "The feeling within the company here initially was surprise, shock — and then relief that it was dealt with so quickly."

But perhaps the most important development in the next few months concerns the career of Mr. Calderón Berti himself. Under company bylaws, his term should last two years. But there are few observers here who expect him to last that long.

"You cannot say that any man is dead before he is buried, but politically it would be very difficult to keep him," the president of a private bank here said.

J. Vontobel Considers Setting Up Base in N.Y.

Reuters

ZURICH — J. Vontobel und Co., Zurich's largest private bank, is considering establishing a base in New York to handle part of its portfolio management for international customers, a senior partner, Hans Vontobel, said Tuesday. He declined to elaborate.

Mr. Vontobel was speaking at a news conference in which he gave details of a decision he said was announced in July to transform the bank into a joint stock company.

Record U.K. Tourism Mark

Reuters

LONDON — Britain earned a record £4 billion ($6 billion) from tourism last year, up 7 percent from 1981 tourism income, the British Tourist Authority said Wednesday in its annual report. About 11.6 million people visited Britain in 1982, up 2 percent from 1981.

UNITED STATES BANKRUPTCY COURT NORTHERN DISTRICT OF CALIFORNIA

In re:

MAGNUSON COMPUTER SYSTEMS, INC., a California corporation, aka MAGNUSON SYSTEMS, INC. and MAGNUSON SYSTEMS CORPORATION,

Debtors.

Chapter 11 Case

No. 583-00867-A

NOTICE OF LAST DAY TO FILE PROOFS OF CLAIM OR INTEREST

TO THE CREDITORS OF MAGNUSON COMPUTER SYSTEMS, INC. AND TO ANY PERSON OR GOVERNMENTAL UNIT THAT ASSERTS A CLAIM AGAINST MAGNUSON COMPUTER SYSTEMS, INC.:

PLEASE TAKE NOTICE that the United States Bankruptcy Court for the Northern District of California made an order on September 7, 1983 that requires all entities that assert claims which arose or which are deemed to have arisen prior to March 7, 1983, against Magnuson Computer Systems, Inc., a California corporation, aka Magnuson Systems, Inc. and Magnuson Systems Corporation ("Magnuson"), whose claim has not been scheduled by Magnuson or whose claim has been scheduled as disputed, contingent unliquidated or unknown, and that wish to vote on a plan of reorganization or to share in any distribution in this case, to file proofs of claim or interest on or before **4:00 p.m., November 15, 1983.** A CLAIM OR INTEREST THAT IS NOT SCHEDULED OR THAT IS SCHEDULED AS DISPUTED, CONTINGENT, UNLIQUIDATED OR UNKNOWN AND IS NOT FILED BY NOVEMBER 15, 1983 WILL BE **FOREVER BARRED** from participating in this case, from voting with respect to any plan of reorganization filed in the Chapter 11 case, and from receiving any distribution under any plan of reorganization; nevertheless, the holder of such unfiled claim or interest shall be bound by the terms of plan of reorganization if the plan is confirmed by the court.

Claims solely for interests represented by Magnuson stock are not required to file proofs of claim or interest. Instead, notices, ballots, and distributions will be sent to the holders of record (as of dates to be subsequently determined by the Bankruptcy Rules or Orders of the Court) as reflected in the records of the stock transfer agent. However, **proofs of any and all claims and interest based on transactions in the Debtor's publicly traded securities, including but not limited to claims for damages or rescission based on the purchase or sale of such securities, must be filed by November 15, 1983.**

ALL PROOFS OF CLAIM OR INTEREST MUST BE FILED BY MAIL WITH THE CLERK OF THE COURT, UNITED STATES BANKRUPTCY COURT, NORTHERN DISTRICT OF CALIFORNIA, 209 U.S. POST OFFICE BUILDING, ST. JAMES PARK STATION, SAN JOSE, CALIFORNIA, 95113, OR BY DELIVERY TO THE CLERK AT THAT ADDRESS.

Any entity that asserts a claim against Magnuson arising out of the rejection by Magnuson of an executory contract or unexpired lease, or arising out of the recovery by Magnuson of a voidable transfer, or arising out of the incurrence of certain taxes, as described in Bankruptcy Code 502(g), 502(h), or 502(i), respectively, and that wishes to have such claim allowed in this case, must file a proof of such claim with the Clerk of this court within thirty (30) days after the entry of an order approving rejection of the executory contract or unexpired lease, within thirty (30) days after entry of an order or judgment avoiding a transfer, or within thirty (30) days after the relevant tax claim arises, or November 15, 1983, whichever is later.

Any proof of claim previously filed with the clerk of this court prior to the mailing of this notice shall be deemed to be and shall be treated as a properly filed proof claim subject to the right of Magnuson or any party in interest to object to the allowance thereof. NO ADDITIONAL CLAIM IS REQUIRED.

DATED: September 13, 1983.

MURPHY, WEIR & BUTLER
Attorneys for Magnuson Computer Systems, Inc.

UNITED STATES BANKRUPTCY COURT NORTHERN DISTRICT OF CALIFORNIA

In re:

MAGNUSON COMPUTER SYSTEMS, INC., a California corporation, aka MAGNUSON SYSTEMS, INC. and MAGNUSON SYSTEMS CORPORATION,

Debtors.-

Chapter 11 Case

No: 583-00867-A

NOTICE OF LAST DAY TO FILE PROOFS OF CLAIM OR INTEREST (EQUITY SECURITIES AND RELATED CLAIMS)

TO: SHAREHOLDERS OF MAGNUSON COMPUTER SYSTEMS, INC. WARRANT HOLDERS OF MAGNUSON COMPUTER SYSTEMS, INC. PERSONS ASSERTING CLAIMS OR DAMAGES ARISING FROM THE PURCHASE OR SALE OF MAGNUSON COMPUTER SYSTEMS, INC. SECURITIES PERSONS ASSERTING CLAIMS OR DAMAGES BASED ON THE DEBTOR'S LIABILITY FOR CONTRIBUTION, INDEMNITY, PAYMENT OR TO A CO-DEBTOR ARISING FROM A JUDGMENT, RIGHT OR CLAIM BASED ON THE PURCHASE OR SALE OF MAGNUSON COMPUTER SYSTEMS, INC. STOCK, INCLUDING CO-DEFENDANTS IN BILL ROTHFARB, ON BEHALF OF HIMSELF AND ALL OTHERS SIMILARLY SITUATED V. WILLIAM E. HAMBRECHT, ET AL., NO. C-82-1065-WHO; ARTHUR B. GAUSS, ON BEHALF OF HIMSELF AND OTHERS SIMILARLY SITUATED V. MAGNUSON COMPUTER SYTEMS, INC., ET AL., NO. C-82-1091-WHO.

PLEASE TAKE NOTICE that the United States Bankruptcy Court for the Northern District of California made an order on September 7, 1983 that requires all persons or entities that assert claims which arose or which are deemed to have arisen prior to March 7, 1983, against Magnuson Computer Systems, Inc., a California corporation, aka Magnuson Systems, Inc. and Magnuson Systems Corporation ("Magnuson"), to file a proof of claim or interest with the court on or before **4:00 p.m., November 15, 1983.**

YOU NEED NOT FILE A CLAIM IF:

(1) You own Magnuson stock and do not assert any other claim against Magnuson, including a claim for damages arising from the purchase or sale of securities, or

(2) Magnuson has scheduled you as a creditor in a fixed, undisputed amount.

YOU MUST FILE A CLAIM IF:

(1) You presently own, or have ever owned, Magnuson stock and assert a claim for damages or rescission based on the purchase or sale of Magnuson stock, whether or not you are participating as a class member in **Bill Rothfarb, on behalf of himself and all others similarly situated V. William E. Hambrecht, et al.**, No. C-82-1065-WHO; **Arthur B. Gauss, on behalf of himself and others similarly situated V. Magnuson Computer Systems, Inc., et al.**, No. C-82-1091-WHO (the "Class Action").

(2) You have been scheduled as having a disputed, contingent, unliquidated, or unknown claim, or

(3) You assert a claim against Magnuson arising out of your liability for claims arising out of the purchase or sale of Magnuson stock. This includes all defendants in the Class Action who assert any claim against Magnuson arising from or out of the Class Action.

Any person or entity who is required to file a claim under the court's order of September 7, 1983, who fails to file a claim by November 15, 1983, will be forever barred from participating in the Chapter 11 case, or receiving any distribution under any plan of reorganization, and will be be bound by the terms of any plan of reorganization if the plan is confirmed by the court.

ALL PROOFS OF CLAIM OR INTEREST MUST BE FILED BY MAIL WITH THE CLERK OF THE COURT, UNITED STATES BANKRUPTCY COURT, NORTHERN DISTRICT OF CALIFORNIA, 209 U.S. POST OFFICE BUILDING, ST. JAMES PARK STATION, SAN JOSE, CALIFORNIA, 95113, OR BY DELIVERY TO THE CLERK AT THAT ADDRESS.

IF YOU ASSERT A CLAIM AGAINST MAGNUSON BASED ON TRANSACTIONS IN MAGNUSON'S STOCK, INCLUDING CLAIMS FOR DAMAGES OR RESCISSION BASED ON THE PURCHASE OR SALE OF SECURITIES, YOU MUST FILE A CLAIM EVEN IF YOU ARE PRESENTLY INCLUDED IN THE CLASS ACTION NOW PENDING IN THE UNITED STATES DISTRICT COURT, NORTHERN DISTRICT OF CALIFORNIA, ENTITLED **BILL ROTHFARB, ON BEHALF OF HIMSELF AND ALL OTHERS SIMILARLY SITUATED V. WILLIAM E. HAMBRECHT, ET AL.**, No. C-82-1065-WHO; **ARTHUR B. GAUSS, ON BEHALF OF HIMSELF AND OTHERS SIMILARLY SITUATED V. MAGNUSON COMPUTER SYSTEMS, INC., ET AL.**, No. C-82-1091-WHO.

DATED: September 13, 1983.

MURPHY, WEIR & BUTLER
Attorneys for Magnuson Computer Systems, Inc.

Wednesday's AMEX Closing

Vol. at 4 p.m. 4,470,000
Prev. 4 p.m. Vol. 8,520,000
Prev. Consolidated Close 8,520,000

Tables include the nationwide prices Up to the closing on Wall Street

12 Month High	Low	Stock	Div.	Yld.	PE	Sls. 100s	High	Low	Close Quot.	Ch'ge
		A								
22⅞	6⅝	AAV	.32	2.1	13	8	15	16	16	+ ¼
4⅞	2½	AIC Ph				6	3⅝	3½	3½	
6⅛	1⅛	ATI				394	3	2¾	2⅞	— ¼
12¼	2	AcmePr			18	4	5⅛	6⅛	6⅛	— ¼
19½	10½	AcmU s	.32	2.0	18	7	14⅛	16	16	
14½	1⅛	Action s			18	2573	12⅞	12	12⅞	+1⅛
12	5⅛	Acton s	1.00t	12.9	37	49	7⅝	7⅛	7⅝	+ ⅛
8	1⅛	AdmRs				20	4⅛	4⅛	4⅛	+ ⅛
30⅞	14⅞	AdRusl s	.10	.4	17	63	26⅝	26¼	26⅛	— ¼
28⅞	14⅜	Adobe	.20	.9	16	94	25	23⅞	23⅞	— ⅛
5⅛	2	AeglsCp			14	230	4⅛	4	4	— ⅛
7	4	Aeronca			8	114	4⅞	4⅝	4⅝	+ ⅛
32½	10½	AfilHsp	.36	1.4	11	12	25¾	25⅛	25⅞	
46	17⅜	AfilPb s	.64	1.5	19	8	42¼	42¼	42¼	+ ¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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(Continued From Back Page)

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Ford May Join Lawsuit To Block Joint Venture Between GM and Toyota

By John Holusha
New York Times Service

DEARBORN, Michigan — A top official of Ford Motor Co. says that Ford might join with other U.S. auto companies in filing an antitrust suit to block a proposed joint venture between General Motors Corp. and Toyota Motor Corp.

Harold A. Poling, Ford's executive vice president for domestic automotive operations, said Tuesday, "An antitrust suit is one alternative that would have to be considered" if the Federal Trade Commission approves the tie between GM, the world's largest auto company, and Toyota, the third-largest. Ford is the second-largest auto company.

Until now, opposition to the joint venture, which is to produce Toyota-designed subcompacts at GM's Fremont, California, assembly plant, had been led by the Chrysler Corp.

Mr. Poling also said Ford would "like very much" to retain its Rouge Steel subsidiary if it can be made profitable. Last week the company said it was planning to close the operation at the heart of the River Rouge manufacturing complex over the next year.

As Ford had apparently expected, its earlier announcement about Rouge prompted the United Automobile Workers to resume negotiations on the mill. Workers at Rouge Steel are scheduled to vote later this week on a contract that reportedly contains $4.50 an hour in wage concessions. Workers there now earn about $27 an hour.

Speaking to reporters at Ford's annual new product introduction, Mr. Poling predicted that auto *sales next year would increase 12 to* 15 percent over 1983, to between 10.3 and 10.5 million cars. General Motors has predicted sales of 10.3 million in 1983. Chrysler has predicted that the market will not go much over 10 million.

The truck market, Mr. Poling added, will increase from 15 to 18 percent during the year, and he said Ford would sell a total of about 3 million vehicles in 1984, compared with an estimated 2.8 million this year.

In addition to criticizing GM's venture with Toyota, which he described as a "clear violation of antitrust laws," Mr. Poling was also critical of recent suggestions by F. James McDonald, the president of GM, that Japanese import quotas be loosened next year to allow GM to add imports from its Japanese affiliates, Isuzu and Suzuki.

Mr. Poling also said the GM strategy of relying on Japanese sources for small cars would put Ford, which produces its Escort-Lynx subcompacts domestically, at a severe cost disadvantage. He said Ford would consider shifting production of small cars offshore if GM's plans succeed.

Ford introduced two new diesel engine options Tuesday, despite a decline in popularity of diesels in general. Both engines are imported. One is a 2.0-liter, four-cylinder engine made by Japan's Toyo Kogyo Co. for smaller cars; the other is a 2.4-liter, turbocharged, six-cylinder engine *for luxury models from* West Germany's BMW. Ford officials say they expect to sell 20,000 to 25,000 diesel-engined cars in 1984.

UPI

Harold A. Poling

Auto Firms Offer Manila New Proposal

By Marilyn Odchimar
Reuters

MANILA — Philippine car assemblers have proposed a "survival of the fittest" option to the government's move to cut their numbers to two from five.

The alternative was proposed this week to the Board of Investments by participants in the government-sponsored car manufacturing program. The board chairman, Roberto Ongpin, promised to study the proposal and inform the companies of his decision Thursday.

Under the government program, cars are assembled from imported and local parts by Ford Philippines, General Motors Filipinas and local assemblers that have ties with Toyota, Mitsubishi and Nissan. The 10-year-old program is designed to save money, upgrade technology, generate exports and provide reasonably priced cars.

The change in participation was ordered last month by President Ferdinand E. Marcos to save foreign exchange, but, industry sources said, efforts by the assemblers to form joint ventures ran into financial and legal problems.

The Board of Investments directed the assemblers to submit bids to determine who would be dropped, but the draft guidelines for the bidding generated misgivings, industry officials said. It is especially feared that winning bidders would buy out plant and equipment of losers.

John Sagovac, Ford Philippines' managing director, said that conditioo would make it difficult for assemblers to prepare the bids, which are due Nov. 15. He pointed out that foreign-owned companies are oot allowed to own land, so if Ford won it would have trouble buying the assets of losers.

In addition, the Nissan unit's president, Vicente Mills, described the export requirement as heavy. The guidelines stipulate that foreign exchange outflow for imports of car assemblers must be equivalent to inflow from exports.

In their counterproposal, the assemblers said the bidding procedure should be scrapped in favor of a three-year "natural weeding-out" competition starting next year.

The assemblers agreed to conform to guidelines on foreign exchange that would progressively reduce funds allocated by the government to each company, reaching zero in 1987. They proposed to increase export earnings so whoever achieved a higher net foreign exchange earnings would have an edge in competition.

Industry sources said that, if the assemblers' proposals were adopted, Ford Philippines was likely to survive. From 1976 to June 1983, its net export income was $58.9 million from export sales of $107.5 million.

Economists Say Budget Deficit of U.S. Likely to Fall Below Recent Forecasts

By Peter T. Kilborn
New York Times Service

WASHINGTON — This year's federal budget deficit will fall somewhat below the $210-billion level that most government and private economists had been expecting only two months ago, the economists say.

For fiscal 1983, which ends Sept. 30, economists now see a deficit of $195 billion to $200 billion. The figure would still be close to double last year's record $107 billion, and economists doubt that the lowered estimate will substantially improve the outlook for interest rates and the *economy in general.*

Nevertheless, there may be some political benefit for the administration if the deficit falls short of $200 billion. The administration has been staving off proposals to shrink the deficit by raising taxes and may find a talking point in even a small decline in the deficit.

The modest improvement in the deficit appears to result from tax revenues running higher than forecast because of the strong economic recovery, and outlays lagging a bit.

"The administration is putting pressure on the agencies to spend as little as possible," said David A. Wyss, chief financial economist at Data Resources in Lexington, Massachusetts, an economic forecasting firm.

"The September flurry of check-writing just doesn't seem to be happening this year," he said. Agencies often attempt to spend available cash because, once the new fiscal year begins Oct. 1, some programs are not allowed to carry over unspent funds, which they lose.

With employment expanding vigorously since the recession ended early last winter, the government has realized an unexpectedly strong gain in receipts from withholding taxes. At the same time, it is disbursing somewhat less for antirecession spending, such as unemployment benefits.

Data Resources is preparing a *new forecast for the economy, to be* published Monday. Mr. Wyss said it would show a deficit of $194 billion, about the same figure that some Treasury Department economists expect. Another forecaster, Allen Sinai at Lehman Brothers Kuhn Loeb in New York, will report new figures soon showing a $198.7-billion deficit.

The Blue Chip Economic Indicators, which averages the forecasts of about 40 economists, projects a deficit of $195 billion, and the Congressional Budget Office revised its estimates last month to $207 billion. "The 1983 spending has been running quite low," said Rudolph G. Penner, director of the budget office, "so it may be marginally lower than that."

In January, the Reagan administration predicted a deficit of $207.7 billion. In April, it raised the figure to $210.2 billion, and then it cut it slightly in July to $209.8.

Martin S. Feldstein, chairman of the President's Council of Economic Advisers, said in a talk to the Mortgage Bankers Association of America Tuesday that the fiscal 1983 budget deficit would be "about $200 billion." *Later,* he told reporters that a reduction of $10 billion made "not much of a difference." The deficit, he said, is "still horrendous."

A deficit of $190 billion remains so enormous — at more than triple the level of the Carter administration's last figure — that it would still aggravate the "crowding out" phenomenoo that mainstream economists see developing in the financial markets late next year or in early 1985.

This development, about which the Treasury and the White House are skeptical, would result if the Treasury borrowing required to finance the budget deficit forced up interest rates.

Floating Rate Notes Sept. 21

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Non Banks

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Over-the-Counter Sept. 21

NASDAQ National Market Prices

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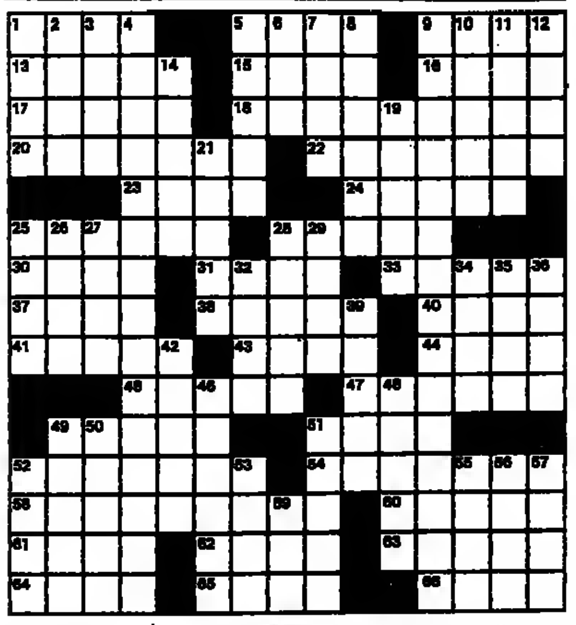

ACROSS

1 Fat from hogs
5 Be solicitous
9 Melodic subject
13 Not sotto voce
15 He wrote "My Enemy's Enemy"
16 Calpurnia, to Caesar
17 A concern of Mehta
18 Marceau's forte
20 Emulate Balboa
22 Like a confusing report
23 Father of Cainan
24 "The —— of Hoffmann"
25 Pinnacles
28 Home of Icarus
30 River of NW Russia
31 Buffalo's county
33 Having sharpness
37 Miscalculate
38 Of ecological stages
40 Wreath atop Lancelot
41 Shrugger in a Rand title
43 Seaport of Israel
44 Discerning
45 Chassepot, e.g.
47 One behind the other
49 What Nolan Ryan became in 1979
51 Incites Fido to attack
52 Pollen-bearing organs
54 Infatuate
58 —— Act: 1862
60 More atypical
61 In a little while
62 Pearl Mosque site
63 Perceptive
64 Essentials
65 Credit form
66 Osculate

DOWN

1 Not punctual
2 Ruffian in "A Clockwork Orange"
3 Trip gaily
4 Double-decker abode
5 U.S. jutters into the Atlantic
6 Drs.' group
7 Circus area
8 Squire's place
9 Dilapidated abode in a pop song
10 What Iran's shah became in 1979
11 Parisian kids
12 Cézanne's "Boy in —— Vest"
14 Lorna of fiction
19 What a politico loves to do
21 Ramblers
25 Looped vase handle
26 Trapper's trophy
27 Pernicious
28 Homer's sorceress
29 Erect
32 Authentic
34 Grating
35 Besides
36 Judge
39 Admit
42 Foals' fathers
46 Primary
48 Capital of Ghana
49 Expiate
50 A Mead subject
51 One of the Maxwells
52 Wooden nickel, e.g.
53 State flower of Utah
55 N. African wild sheep
56 Grand Banks gear
57 Three, in Toledo
59 Brazilian macaw

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	HIGH C	HIGH F	LOW C	LOW F	
Algarve	24	75	17	63	fr
Amsterdam	19	66	10	50	fr
Athens	25	77	19	66	o
Belgrade	21	70	11	52	fr
Berlin	19	66	8	46	fr
Brussels	15	59	13	55	r
[illegible]					

ASIA

	HIGH C	HIGH F	LOW C	LOW F	
Bangkok	31	88	25	77	c
Beijing	30	86	20	68	fr
Hong Kong	33	90	27	81	c
Manila	29	84	25	77	o
New Delhi	34	93	25	77	fr
Seoul	26	79	20	68	fr
[illegible]					

AFRICA [illegible]

LATIN AMERICA [illegible]

NORTH AMERICA [illegible]

MIDDLE EAST [illegible]

OCEANIA [illegible]

c—cloudy; fo—foggy; fr—fair; h—hail; o—overcast; pc—partly cloudy; r—rain; sh—showers; sw—snow; st—stormy

THURSDAY'S FORECAST — [illegible]

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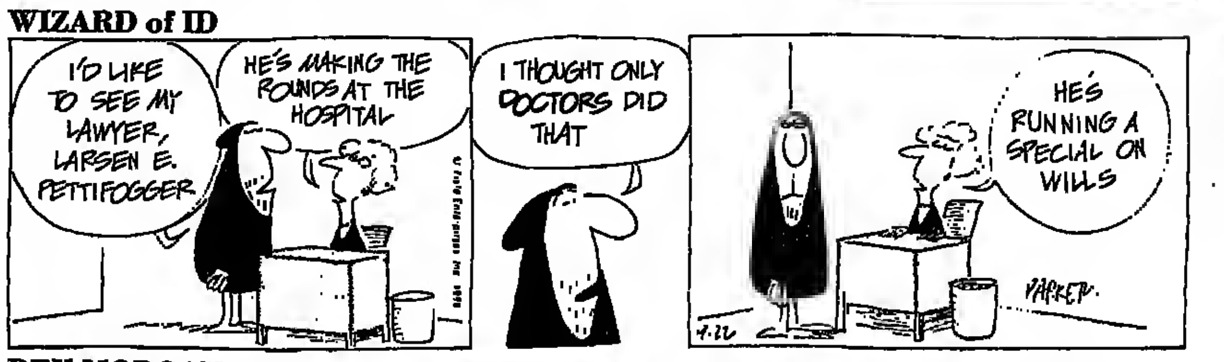

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BOOKS

EISENHOWER: Volume I; Soldier, General of the Army, President-Elect, 1890-1952

By Stephen E. Ambrose. 637 pp. $22.95. Simon and Schuster, 1230 Ave. of the Americas, New York, N.Y. 10020.

Reviewed by William S. McFeely

"YOU have made history, great history for the good of mankind," wrote George C. Marshall, "and," he continued, "you have stood for all we hope for and admire in an officer of the United States Army." When Stephen E. Ambrose pronounces as "earned" this famous tribute to Dwight D. Eisenhower, one senses that he, like Marshall, put even greater store in the second half of the sentence then in the first. Eisenhower, the soldier, and Ambrose, a scholar of soldiering, are splendidly matched; this strong biography belongs to that wing of the genre in which the subject, by no means uncritically rendered, represents all that the author most honors.

And yet, in this account of one of America's most famous soldiers in the years before he resigned from the Army, one is struck by how little soldiering Eisenhower ever did. Although commissioned in 1915, after four years at West Point, he did not make it to France in World War I. After serving time in the '20s, he was forced to be Douglas MacArthur's lackey in the '30s, first in Washington at the time of the disgraceful attack on the Bonus Marchers' camp and then at the imperial outpost in Manila. Concealing his contempt for his commander, Eisenhower learned from MacArthur the need to be political and also precisely how not to go about that politicking.

When World War II presented immense opportunities and responsibilities, he swiftly vaulted past any but contrived links to the battlefields and the men who fought on them. He did not know, first hand, the boredom and exhilaration, the fear and affection experienced by soldiers fighting.

Comparisons are frequently made of Eisenhower's career with that of another West Point war hero who was the other Republican to hold two full terms as president, Ulysses S. Grant. The familiar rendition casts the two as men of action who were articulate about war and not about peace, and who were as inept as presidents as they were supremely confident as generals. Beyond obvious parallels, the two men were, however, greatly different. There was in Eisenhower's patiently conducted career none of the failure and despair of Grant's. And what was more, there were no youthful dashes on horseback through enemy fire in Mexico, nor any stepping into battle as the colonel of a regiment of raw recruits in the Missouri countryside.

Like Eisenhower, Grant, with a strong sense of the whole, commanded a huge network of armies over a vast area, but his was a war of rifles and of Americans. Eisenhower, in contrast, was the entrepreneur of a great, technologically sophisticated multinational enterprise. Ambrose's study makes it clear that largely he left the fighting to others, including, most successfully, Omar N. Bradley and George S. Patton Jr., and spent his own time conducting diplomatic salesmanship with such tough and exceedingly diverse customers as Winston Churchill, Franklin D. Roosevelt, Charles de Gaulle, and their contentious deputies. In his conduct of the European war, one of Eisenhower's many major contributions was to remember that Germany was the enemy. He had no appetite for converting World War II into World War III with lunges against the Russians to the east, and he restrained soldiers, like General Patton, who had.

Eisenhower was less like the soldier-presidents of the 19th century than like the corporate chief executive officers of the 20th. When the war was over, no one should have been surprised that it was with these men that he chose to relax — and to win the presidency. Even Ambrose feels the need to explain the compatibility of the general and businessmen (he wonders which side was "awestruck") when, in fact, they were birds of a feather: "men who had proved themselves, who thought big, who handled big problems successfully, who knew how to organize and produce, who exuded self-confidence." And, Ambrose might have added if he were more critical of this world, so remote from the basic small particularities of life that they scarcely knew why they were lonely. At the book's close, even with the White House to keep his toothbrush in for eight years, Ambrose's soldier hero is doomed to the country club.

On June 19, 1945, Harry Truman wrote to Bess that "Eisenhower's party was a grand success. I pinned a medal on him in the afternoon. He is a nice fellow and a good man. He's done a whale of a job. They are running him for President, which is O.K. with me. I'd turn it over to him now if I could." Stephen Ambrose's fine chronicle of the able World War II and NATO commander documents that assessment and his second volume on the presidential years promises to do much to buttress the concept of the more effective "new Eisenhower," but the more the author tells us, the more we are reminded that Truman changed his mind.

William S. McFeeley, author of "Grant: A Biography" and Rodman Professor of History at Mount Holyoke College, wrote this review for The Washington Post.

BRIDGE

By Alan Truscott

THE rubber bridge player who thinks about the opening lead is sometimes jocularly urged to "lead the one nearest your thumb." Unless you have a highly intuitive thumb it is wise to use your head instead, even if it means taking a little time.

Few opening leads in recent years have been quite as portentous as the one on the diagramed deal.

The opening bid of one no-trump was the weak variety and North jumped to three diamonds with a hand that was even weaker in high cards but distinctly stronger in distribution.

East tried three no-trump, hoping that his club suit would run and that his partner could stop the diamonds. He was wrong in the second part, but the fates would have come to the rescue in the shape of a diamond block.

With this aid from the fates and a winning spade finesse, West would have made exactly three no-trump. But it was South's turn to bid, and he, not unnaturally, tried four spades.

West doubled with some confidence, and everything now hinged on the opening lead. A diamond was clearly unwise and would have been fatal. The spade ace was a possibility, but if he had made that selection, West would have had to judge the need to continue trumps at the second trick — a difficult and potentially disastrous decision.

West decided to lead one of the unbid suits. But which? The club ace might seem obvious, in order to inspect the dummy, but there was a risk.

Both opponents had shown highly distributional hands and there was likely to be a void somewhere. East would have shown a long heart suit, but was very likely to have club length when he chose to bid three no-trump rather than double three diamonds.

In the end, West made the winning choice of a heart. His partner won and shifted to a trump. Two rounds of trumps left the dummy in a useless condition. When the smoke had cleared, South had scored five trump tricks and a trick in each red suit for down 800.

If West had led the club ace, South would have ruffed in dummy, led to the diamond ace, ruffed another club and thrown his last club on the diamond king.

In the replay, a much quieter auction left North playing in three diamonds and making an overtrick.

NORTH
♠ J 7
♡ 10 9 8 7
◇ K Q 10 9 6 4 2
♣ —

WEST (D)
♠ A Q 2
♡ J 6 5 2
◇ 8 3
♣ A J 10 6

EAST
♠ 8
♡ A 4 3
◇ J 7 5
♣ K Q 9 5 5 4

SOUTH
♠ K 10 9 6 5 4 3
♡ K Q
◇ A
♣ 7 3 2

Both sides were vulnerable. The bidding:

West	North	East	South
1 N.T.	3 ◇	2 N.T.	4 ♠
Dbl.	Pass	Pass	Pass

West led the heart two.

Amsterdam

	Close	Prev.
ABN	[illegible]	[illegible]
ACF Holding	[illegible]	[illegible]
AKZO	[illegible]	[illegible]
[illegible]		

Brussels

[illegible]

Frankfurt

[illegible]

Other Markets Sept. 21

Closing Prices in local currencies

[illegible]

Johannesburg

[illegible]

Hong Kong

[illegible]

London

[illegible]

Milan

	Close	Prev.
Generali	[illegible]	[illegible]
IFI	[illegible]	[illegible]
Italcementi	[illegible]	[illegible]
LaRinascente	[illegible]	[illegible]
Mediobanca	[illegible]	[illegible]
Montedison	[illegible]	[illegible]
Olivetti	[illegible]	[illegible]
Pirelli	[illegible]	[illegible]
Snia Viscosa	[illegible]	[illegible]
Standa	[illegible]	[illegible]

BCI Index: [illegible]
Previous: [illegible]

Paris

	Close	Prev.
Air Liquide	[illegible]	[illegible]
Alsthom Atl.	[illegible]	[illegible]
Av. Dassault	[illegible]	[illegible]
Bancaire	[illegible]	[illegible]
Bic	[illegible]	[illegible]
Bouygues	[illegible]	[illegible]
BSN-GD	[illegible]	[illegible]
Carrefour	[illegible]	[illegible]
Club Mediter	[illegible]	[illegible]
Cofimeg	[illegible]	[illegible]
Creusot Loire	[illegible]	[illegible]
Dumez	[illegible]	[illegible]
Eaux (C Gle)	[illegible]	[illegible]
Elf-Aquitaine	[illegible]	[illegible]
[illegible]		

Singapore

[illegible]

Stockholm

[illegible]

Sydney

[illegible]

	Close	Prev.
Sleigh	1.20	N.A.
Southland	0.35	0.34
Woodside Petl	1.49	1.51
Wormald	3	3.04

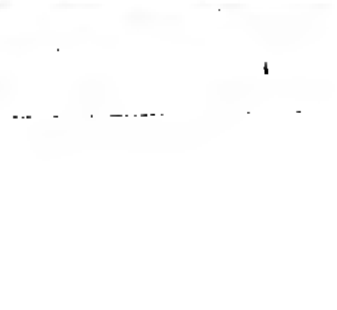
All ordinaries Index: 714.90
Previous: 715.70

Tokyo

	Close	Prev.
Akai	569	580
Asahi Chem.	382	376
Asahi Glass	618	595
[illegible]		

Zurich

[illegible]



Solution to Previous Puzzle

Japan Robot Force to Grow

Reuters

TOKYO — The value of robots produced in Japan will increase to 600 billion yen ($2.49 billion) in 1990 from 78 billion yen in 1980, Kanji Yonemoto, executive director of the Japan industrial robot association, predicted Wednesday.

Canadian Indexes Sept. 21

	Noon	Previous
Montreal	464.99	462.83
Toronto	2,587.60	2,577.00

Montreal: Stock Exchange Industrials Index.
Toronto: TSE 300 Index.

Canadian Stock Markets Sept. 20

Prices in Canadian cents unless marked $

Toronto

	High	Low	Close	Chge
6245 Agnico E	$18¾	18¼	18¼	— ¼
[illegible]				
1100 Kam Kotla	186	155	185	— 5
100 Kelsey H	$26½	26½	26½	
683 Kerr Add	$22¾	22½	22½	— ⅛
[illegible]				

Montreal

[illegible]

SPORTS

Australia II Beats Liberty to Cut Gap to 3-2 in America's Cup

The Associated Press

John Bertrand, left, the Australia II skipper, and Alan Bond, the Australian syndicate head, discussing strategy at dockside in Newport. The victory Wednesday left them trailing 3-2.

The Associated Press

NEWPORT, Rhode Island — Challenger Australia II overcame a premature start and staved off elimination in the America's Cup with an easy victory Wednesday over the U.S. defender Liberty.

The margin of 1 minute, 47 seconds, cut Liberty's lead to 3-2 in a best-of-seven series made unpredictable by equipment problems on both boats and a baffling departure from form.

The sixth race on Rhode Island Sound is scheduled for Thursday.

The Australians are the first challengers since 1934 to win two races in a series against the Americans. In 25 defenses since the schooner America first won the Cup in 1851, the challenger has never won, and no series for sailing's oldest trophy has gone beyond six races.

Australia's victory Wednesday came in the heavy air conditions Liberty previously dominated.

The Americans experieoced equipment trouble, just as the Australians had in losing the first two races last week.

Dennis Conner, Liberty's skipper, had a mast problem before the start and had to send a chase boat back to the dock for replacement parts.

It took about 45 minutes to make repairs, crewmen scrambling aloft, and when the gun sounded signaling 10 minotes until the start, Liberty still hadn't boisted her jib, the small, triangular sail held on a stay from the bow to the mast.

[The prohlem was a spreader — one of the devices holding up the mast — that was damaged while the yacht was towed from her berth to the course, United Press International reported. While she was still sailable and able to tack, the mast problem slowed Liberty down.]

Once under way, the U.S. boat appeared to be heeling more than the challenger, leaning over under wind pressure, with a pronounced bending of the mast toward the aft. Conner appeared to be getting less advantage from the 18-knot winds and lumpy, two-to-four-foot seas in which he had won the first two races.

Australia II's skipper, John Bertrand, who misjudged the start in Tuesday's pivotal loss, did it again Wednesday.

He crossed the line too soon and had to circle back and start over. By the time be got there again, Liberty was 37 seconds ahead, a huge advantage and the fourth time in five races Conner had won the start.

Bertrand immediately hoisted the protest flag, but that quickly became unnecessary.

Conner, whose knack for finding the wind shifts had been the most noticeahle difference in the series, sailed far to the right side of the course, leaving Australia II alone to pick up a 10-degree wind shift to port.

Bertrand took full advantage and catapulted into the lead, oever to trail again.

He led by 23 seconds at the first mark, 4.5 miles into the race on the 24.3-mile triangular course.

Bertrand held that margin after the second leg, a crosswind reach where Liberty had been superior in earlier races, and still led by 18 seconds after the third leg, also a reach.

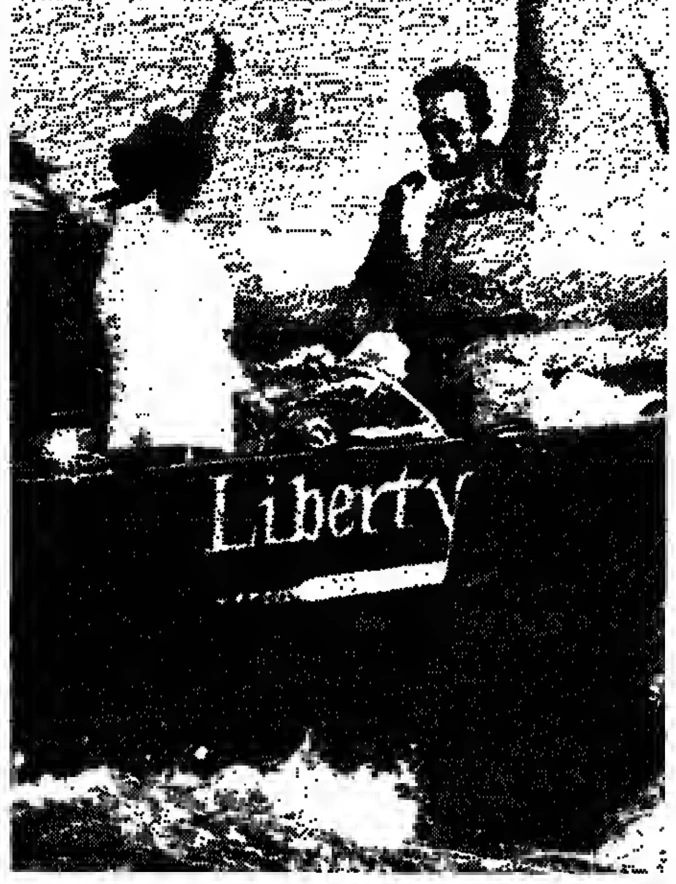
Rounding the fourth mark, it was Australia II by a safe 1:11, and there was no catching her as the wind diminished to 10 to 15 knots.

Turning for the final beat upwind, the Australians led by 52 seconds.

The victory, which took 3 hours, 29 minutes and 13 seconds, destroyed what was left of any form chart for this series, which saw Australia II advertised as the most serious *threat* yet to take away the Cup and break the longest winning streak in sports. Australia II, in fact, was favored by British bookmakers.

Each of the 12-Meter yachts has won one race in light-to-medium wind, which was supposed to favor the lighter and more maneuverable Australia II.

Aod equipmeot prohlems clouded the races in heavier wind. Besides Liberty's problem Wednesday, Australia II broke a steering pulley in the first race and lost her mainsail headboard in the second.



The Associated Press

On Tuesday, Liberty's skipper, Dennis Conner, right, was jubilant after the third American victory of the series.

Vikings Get Manning, Casper From Oilers

The Associated Press

MINNEAPOLIS — The Minnesota Vikings have acquired Archie Manning, a veteran quarterback, and Dave Casper, a tight end, from the Houston Oilers in exchange for two undisclosed 1984 draft choices.

The Vikings (2-1) had been looking for a quarterback since Sunday, when their starting quarterback, Tommy Kramer, tore a ligament in his right knee in Minnesota's victory over Tampa Bay.

The Vikings' general manager, Mike Lynn, said the National Football League team had given up a high and middle-round draft choice Tuesday for Manning and Casper.

"They're both established players," said the Minnesota coach, Bud Grant. "We went for the best that was available. I'm sure they both will fit into our system."

Manning, 34, is a 13-year veteran who was acquired by the Oilers a year ago from New Orleans. He won the starting job this seasoo over *Gifford Nielsen, but last Sunday,* in *Houston's* 40-28 loss to Pittsburgh, Manning threw four interceptions and lost a fumble.

Casper, 31, went to Houston in 1980 in a trade with Oakland. The 10-year veteran led the Oilers last year in three categories — receptions (36), most yards receiving (573) and scoring (36 points oo six touchdowns) — but he has been hampered this seasoo by a back injury.

Gullickson Does It All as Expos Rout Cardinals

Compiled by Our Staff From Dispatches

MONTREAL — Bill Gullickson coasted to his 16th victory Tuesday night and drove in two runs with his first major-league homer and a *single to lead the Montreal Expos* to a 10-1 rout of the St. Louis Cardinals.

The triumph, the Expos' fourth straight, kept them in a second-place tie with Pittsburgh in the National League East, two games behind Philadelphia. The Cardinals fell eight games behind with 11 to play.

Gullickson (16-11) allowed six hits, walked one and struck out five in pitching his 10th complete game. He bomered down the left-field line in the third inning off Bob Forsch (8-12) to give the Expos a 1-0 lead.

Gullickson also had a run-scoring single in the seventh inning as the Expos took a 9-1 lead.

Pirates 4, Mets 0

In New York, Larry McWilliams pitched a two-hitter and Dave Parker bomered as Pittsburgh beat the Mets, 4-0. McWilliams (15-6) struck out a career-high 11, including Darryl Strawberry three times, and allowed no walks. It was his seventh victory in eight decisions since the All-Star break. Mike Easler drove in two runs with a double and a triple.

Phillies 8, Cubs 5

Io Philadelphia, Joe Morgan went 4-for-5 and drove in three runs as the Phillies defeated Chicago, 8-5. Willie Hernandez (8-4), who pitched three innings in relief and allowed three hits and two runs, was the winner. Morgan, who has eight hits in his last 10 at bats, is batting .327 in September with 14 runs batted in.

BASEBALL ROUNDUP

Astros 15, Dodgers 2

In Los Angeles, Denny Walling hit a three-run double and Jose Cruz hit a bases-loaded homer and drove in six runs in Houston's 15-2 victory over the Dodgers. Houston's Nolan Ryan (14-8) gave up four hits and struck out seven in six innings. Alejandro Pena (12-7), who entered the game with the league's best earned-run average among starters, saw his jump from 2.18 to 2.40. He was charged with six runs in 1⅓ innings.

Giants 8, Padres 1

In San Francisco, Darrell Evans hit a two-run single in the first inning and Mark Calvert and Andy McGaffigan pitched an eight-hitter as the Giants beat San Diego, 8-1.

Tigers 14, Orioles 1

In the American League, at Detroit, the Tigers tied a major-league record with 10 consecutive hits, a *feat last accomplished* 53 years ago, as they blasted Baltimore, 14-1, in a game ended by rain after five innings. The second game of the doubleheader was rained out. The Tigers moved within 6½ games of the Orioles in the AL East.

Detroit scored 11 runs and sent up 16 batters in the first inning. The Tigers had seven singles, two triples, two home runs and two walks. Baltimore's Dennis Martinez (7-15) was charged with seven runs in one-third of an inning before being relieved by Jim Palmer.

Five other teams have had 10 straight hits in an inning. The last was the 1930 Brooklyn Dodgers.

Yankees 3, Red Sox 2

In Boston, John Montefusco won his third straight American League game, with relief help from Rich Gossage, as New York beat the Red Sox, 3-2. Montefusco (3-0), acquired from San Diego on Aug. 26, allowed two runs before being replaced by Gossage with one out in the seventh. Gossage struck out Jim Rice and Tony Armas on six pitches and gained his 21st save.

Brewers 11, Indians 7

In Cleveland, Ted Simmons's eighth-inning infield hit scored Robin Yount from third with the go-ahead run and Ben Oglivie followed with a two-run pinch double as Milwaukee beat the Indians, 11-7, to end a 10-game losing streak.

Blue Jays 7, Mariners 3

In Toronto, Willie Upshaw hit a two-run single and Jorge Orta and Lloyd Moseby each drove in two runs as the Blue Jays defeated Seattle, 7-3. Upshaw became the first Torooto player to drive in 100 runs in a season. Dave Stieb (16-12) allowed nine hits and struck out five in pitching his 13th complete game.

Rangers 3, A's 2

In Arlington, Texas, the Rangers scored three runs in the bottom of the ninth, including two on Bobby Jones's first home run of the season, to beat Oakland, 3-2. Charlie Hough (15-12) pitched his 10th complete game this year.

Angels 6, Royals 4

In Kansas City, Missouri, Doug DeCinces doubled in two runs during a three-run first as California defeated the Royals, 6-4. Kansas City committed six errors, two at third base by Onix Concepcion, for three unearned runs. Tommy John (11-12), who allowed 11 hits, won his 248th career victory.

Russia's Doors Open to U.S. Athletes, But Soviet Role in Olympics in Doubt

By Kevin Dupont
New York Times Service

NEW YORK — The downing of the South Korean civilian airliner three weeks ago has led to confusion and disarray in the athletic exchange programs between the United States and the Soviet Union.

In spite of the strained relations, the Soviet Union has kept its doors open to visiting American athletes. But because of negative American reaction and its own cancellations, the Soviet Union has lost opportunities to compete in coming athletic events in the United States.

Ten 10 U.S. wrestlers and three officials arrived Tuesday in Kiev, 24 hours after leaving Budapest by train, to challenge the Soviet Union and 25 other countries in the World Wrestling Championships.

The American wrestlers, many of whom are expected to compete in the 1984 Olympics, are the first American athletes to enter the Soviet Union since the shooting down of the jetliner Sept. 1.

Soviet athletes are not being extended the same welcome. Public opinion last week forced the cancellation of a U.S.-Soviet basketball series scheduled at seven American colleges in November.

The Soviet Union, not citing the jetliner incident directly, last week reversed decisions to attend two skating and rowing events in the United States. And on Wednesday, it canceled a planned U.S. tour by a Soviet ice hockey team. A Soviet women's volleyball team, however, is still expected to make a five-game U.S. tour next month.

The changes in plans have raised the question of whether the Soviet Union will attend the 1984 Olympic Games in Los Angeles.

Vladimir Mikoyan, a press secretary at the Soviet Embassy in Washington, said there has been oo official word from the Soviet government regarding the Games in Los Angeles, scheduled for July 28 to Aug. 12.

"Why should we make a decision on this when the deadline isn't until June?" said Mikoyan. "We will make that decision when the site is ready and we can assess the total conditions for competition."

Mikoyan then detailed areas of coocern that his government has expressed about participating in the Games at Los Angeles.

"We have to know what kind of conditions will be created in L.A.," said Mikoyan. He expressed a desire that facilities be on a par with what Moscow presented for the 1980 Games "in the sense of transportation of the athletes to competition sites ... the living quarters ... the judging of competition." He added, "Security is also one of the subjects of our attention."

The Moscow Games were boycotted by the United States in opposition to Soviet intervention in Afghanistan.

The American wrestlers who arrived in Kiev were originally scheduled to fly into Moscow from the United States. But they could not be booked on the few airlines that have oot boycotted flights into the Soviet Union and instead flew to Hungary.

Missing from the American contingent will be Werner Holzer, the president of U.S.A. Wrestling. Holzer, the leading spokesman for *the sport's governing body* in this country, said he canceled his plans to attend as a protest against the Soviet downing of the jetliner.

"To my way of thinking, sports means nothing in comparison to peace and survival throughout the world," said Holzer, 45, a member of the 1968 U.S. Olympic wrestling team. "It was important for me to go, there were a lot of meetings to attend, but after 10 days of agonizing over it I just couldn't do it. The Soviet government, in this incident, *has shown itself to be a brutal dictatorship.*

"And I realize that my not going is oot so significant. But someone has to do something. Someone has to say something. This is a time that maybe if everyone felt the same way, if everyone did some little thing, then maybe it could change something."

Nonetheless, plans for American athletes to travel to the Soviet Union remain unchanged. Two more groups of American athletes soon will visit the Soviet Unioo to compete in world championships. The U.S. judo team, including eight athletes, plans to compete oext month in Moscow. Later in the month, the American weightlifting team plans to compete in the Soviet Union.

"I don't approve, or condone in any way, what the Russians did," said Boh Berland, a student at San Jose State University who will compete in the 189-pound class with the U.S. judo team. "But I also don't think it's right to use sports as a political leverage — within our country or any country. There is absolutely no decision for me to make. I'm going."

As for the security of athletes in Los Angeles, that task will be the responsibility of private personnel hired by the organizing committee, as well as city, county, and federal law officers.

Richard T. Bretzing, the special agent in charge of the Federal Bureau of Investigation in Los Angeles, said the overall oumber of security personnel for the Olympics would be in the thousands. But Bretzing would not say if he felt security personnel might face any new problems after the downing of the South Korean jetliner.

"My problems in that area probably should remain unexpressed," said Bretzing. "That's an issue involving countries, one that doesn't need an FBI official in L.A. commenting on it."

■ Hockey Tour Is Off

The Soviet Union cited safety *fears Wednesday in announcing* cancellation of plans for an ice hockey team to travel to the United States in December for matches against the U.S. Olympic squad, United Press International reported from Moscow.

"At present, wben official authorities encourage anti-Soviet actions, there are serious fears that proper safety may not be ensured for Soviet players during their stay in the United States," Tass said.

Officials in two of the six participating cities on the tour, Detroit and Philadelphia, had canceled games after arena operators said they would refuse to allow the Soviet team into their buildings.

Major League Standings

NATIONAL LEAGUE

East	W	L	Pct.	GB
Philadelphia	81	70	.536	—
Montreal	79	72	.523	2
Pittsburgh	79	72	.523	2
St. Louis	73	78	.483	8
Chicago	67	84	.444	14
New York	62	89	.411	19
West				
Los Angeles	86	65	.570	—
Atlanta	81	67	.547	3½
Houston	79	71	.527	6½
San Diego	76	75	.503	10
San Francisco	72	79	.477	14
Cincinnati	68	81	.456	17

AMERICAN LEAGUE

East	W	L	Pct.	GB
Baltimore	92	57	.617	—
Detroit	86	64	.573	6½
New York	84	66	.560	8½
Toronto	83	69	.546	10½
Milwaukee	80	71	.530	13
Boston	73	79	.480	20½
Cleveland	66	84	.440	26½
West				
x-Chicago	89	61	.593	—
Kansas City	73	77	.487	16
Texas	72	79	.477	17½
Oakland	69	83	.454	21
California	66	85	.437	23½
Minnesota	65	85	.433	24
Seattle	56	94	.373	33

Tuesday's Line Scores

AMERICAN LEAGUE

Baltimore 010 00—1 4 3
Detroit (11)21 00—14 15 0

D. Martinez, Palmer (1) and Nolan, Stefero (4); Petry and Parrish, Wockenfuss (1). W—Petry, 18-9. L—D. Martinez, 7-15. HRs—Detroit, Whitaker (12), Herndon (19).

Seattle 002 010 000—3 9 2
Toronto 104 200 00x—7 6 0

Moore, Thomas (4), Caudill (8) and Sweet; Stieb and Whitt. W—Stieb, 16-12. L—Moore, 5-8. HR—Toronto, Orta (9).

New York 002 000 100—3 11 0
Boston 001 000 100—2 10 0

Montefusco, Gossage (7) and Cerone; Hurst, Clear (9) and Allenson. W—Montefusco, 3-0. L—Hurst, 12-11.

Milwaukee 000 015 131—11 20 0
Cleveland 240 100 000—7 14 3

Caldwell, Slaton (7), Waits (7), Ladd (7) and Simmons; Sutcliffe, Easterly (6), Anderson (7), Spillner (8) and Hassey. W—Slaton, 13-6. L—Anderson, 1-6. HRs—Cleveland, Harrah (9), Thornton (17), Fischlin (2), C.Castillo (1).

California 310 001 001—6 7 1
Kansas City 010 000 012—4 11 4

John, Witt (9) and Boone; Splittorff, Creel (2), Hood (8) and Slaught. W—John, 11-12. L—Splittorff, 11-6.

Oakland 020 000 000—2 8 0
Texas 000 000 003—3 7 0

McCatty, Atherton (7) and Kearney; Hough and Sundberg. W—Hough, 15-12. L—Atherton, 2-4. HR—Texas, Jones (1).

(Minnesota at Chicago, ppd., rain)

NATIONAL LEAGUE

Pittsburgh 000 201 100—4 15 2
New York 000 000 000—0 2 0

McWilliams and Pena; Lynch, Gorman (7), Holman (9) and Fitzgerald. W—McWilliams, 15-6. L—Lynch, 10-10. HR—Pittsburgh, Parker (12).

Chicago 201 000 200—5 9 0
Philadelphia 200 310 02x—8 12 2

Trout, Patterson (2), Johnson (5), Bordi (8), Harpesheimer (9) and Davis; Gross, Hernandez (5), Andersen (8), Reed (9) and Diaz. W—Hernandez, 8-4. L—Patterson, 0-1. HRs—Chicago, Buckner (16), Woods (3).

St. Louis 000 000 100—1 6 2
Montreal 001 240 21x—10 14 0

Forsch, Von Ohlen (5), Baker (5), Keener (6), Citella (8) and Porter, Quirk (7); Gullickson and Carter. W—Gullickson, 16-11. L—Forsch, 8-12. HR—Montreal, Gullickson (1).

San Diego 000 100 000—1 6 1
San Francisco 202 130 00x—8 9 2

Show, Rasmussen (1), Booker (4), Frazavid (5), Decker (7) and Kennedy, Bochy (6); Calvert, McGaffigan (7) and Brenly. W—Calvert, 1-3. L—Show, 14-11. HR—San Francisco, O'Malley (5).

Houston 453 101 001—15 15 1
Los Angeles 010 010 000—2 6 1

Ryan, Heathcock (7) and Ashby; A. Pena, Honeycutt (2), Zachry (2), Rodas (3), White (4), Fernandez (6), Hershiser (9) and Yeager, Reyes (8). W—Ryan, 14-8. L—A. Pena, 12-7. HRs—Houston, Cruz (14). Los Angeles, Guerrero (30).

(Cincinnati at Atlanta, ppd., rain)

Transition

BASEBALL
American League

BALTIMORE—Named Frank Verdi manager of Rochester of the International League.

National League

SAN DIEGO—Acquired Darren Burroughs, Lance McCullers, Ed Wojna and Marty Decker, pitchers, from Philadelphia to complete the trade for Sixto Lezcano, outfielder.

BASKETBALL
National Basketball Association

CLEVELAND—Signed Phil Hubbard, forward. Waived their rights to match any offer for free agent James Silas, guard.

FOOTBALL
National Football League

CHICAGO—Cut Oliver Williams, wide receiver. Placed Revie Sorey, guard, and Jerry Muckensturm, linebacker, on the injured reserve list. Signed David Simmons and Kelvin Atkins, linebackers.

GREEN BAY—Signed Mike Curcio, linebacker. Released Chet Parlavecchio, linebacker.

LOS ANGELES RAIDERS—Activated Shelby Jordan, offensive tackle. Placed Jim Romano, center, on the injured reserve list.

PITTSBURGH—Placed Eric Williams, defensive back, on the injured reserve list. Activated Greg Best, defensive back.

SAN DIEGO—Announced that LeRoy Jones, defensive end, has agreed to terms.

HOCKEY
National Hockey League

HARTFORD—Signed Randy Cameron, defenseman, and Ray Ferraro, center, to multi-year contracts and assigned them to their junior teams. Sent juniors Allan Acton, left wing, to Saskatoon; Chris DuPerron, defenseman, to Chicoutimi; Darcy Kaminski, defenseman, to Lethbridge; Dave MacLean, right wing, to Belleville; and Joe Reekie, defenseman, to North Bay. Assigned Denis Dore and Ken Latta, right wings, Steve Fulton and Mike Martin, defensemen, Joe Mantione, goaltender, and Larry Power, right wing, to Flint of the International Hockey League. Released Mario Cerri, center, and Dave McDonald, left wing.

ST. LOUIS—Assigned Bert Wilson and John Markell, left wings, Blaine Peerless, Dan Wood, Cory Eades, Jack Callander and Richard Zemlak to Montana of the Central Hockey League. Assigned Scott Machel, right wing, to the Calgary Wranglers. Released Daryl Kuntz and Pierre Hamel, goaltenders.

HORSE RACING

ILLINOIS RACING BOARD—Announced the resignation of Charles E. Schmidt Jr., chairman, effective Oct. 1.

SOCCER
Major Indoor Soccer League

TACOMA—Signed Paul Roe and Kyle White, midfielders.

COLLEGE

NCAA—Announced that West Virginia University was reprimanded and censured for minor basketball recruiting violations.

COLORADO STATE—Announced that Mark Miller, quarterback, has left school.

FLORIDA—Named Bob Huggins assistant basketball coach.

GEORGIA—Named Cissie Donigan as women's tennis coach.

INDIANA—Named Bob Morgan head baseball coach.

KANSAS—Named Ed Manning assistant basketball coach.

OREGON—Announced the dismissal of Todd Anderson, quarterback, for disciplinary reasons.

NCAA Is Urged to Bar Freshmen in 2 Sports

The Associated Press

KANSAS CITY, Missouri — *College freshmen should not play* football or basketball and schools ought to issue "report cards" on how their athletes perform in the classroom, a blue-ribbon NCAA committee says.

The report of the Select Committee on Athletic Problems and Concerns in Higher Education now goes to the NCAA Council, which appointed the 16-member panel. The council will decide whether to place the recommendations before next year's *NCAA convention.*

ART BUCHWALD

How to Keep the Peace

WASHINGTON — The most important thing to do before you send men into combat is explain to them why you want them there.

I would hate to be the briefing officer on a U.S. Marine amphibious ship explaining to the troops why they are being send into Beirut.

"All right, men, let's knock it off. I am here to explain your mission for the next few months. You are being sent into Beirut as a peacekeeping mission. Any questions?"

Buchwald

"Yes, sir. What's a peacekeeping mission?"

"It is a mission by which a neutral power stations troops in a volatile area to keep the various factions from killing each other until a government can become strong enough to defend itself. Now you people will take np positions around the Beirut airport down here on the low ground. Up here in the hills overlooking the airport are members of the Druze sect armed with heavy artillery, mortars and snipers. Over here are the Christian Phalangist militia, also heavily armed. The Christians are also in this part of Beirut next to the airport, and Moslem forces, not to be confused with the Druze, have control of this part of Beirut here. Intelligence also indicates there are a thousand PLO troops who returned to the area since Israel pulled out of the city to this position down here. Is that clear?"

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"Sir, are we supposed to keep the peace between all of them?"

"That's your mission. But you can only do this by remaining in the Beirut airport area."

"If they all have the high ground and we have the low ground, how do we keep the peace?"

"You will not be alone. We have a large naval task force off the beaches that will cover you."

"Cover us from what?"

"Artillery and mortar fire from the hills, as well as snipers in the city. We now have the authority to use airpower when you become a target of one of the dissident factions."

"You mean we're sitting ducks?"

"It means you will dig in as deep as you can until President Reagan, your commander in chief, can arrange a cease-fire between the Druze, the Christian Phalangists, the present Gemayel government army and the Syrians."

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"Why are we called a peacekeeping force if we can't use our guns to keep the peace?"

"Because, since you are designated as such, the president has the authority to keep you there as long as he deems necessary. If you are sent in as a combat force, the War Powers Act has to be put into effect, and then Congress may dictate foreign policy. Technically, the U.S. Marines have been engaged in 'hostilities,' but the White House cannot admit that without giving up the president's executive powers. Is that clear?"

"No, sir."

"Good. We will continue. As a peacekeeping force your mission is not to take sides in a family dispute. What is going on now is that the Druze, Moslems and Christians are settling old scores that go back hundreds of years. They have committed atrocities against each other for centuries. If Washington can get them all to sit around a table and forget the past, we can bring peace to the Middle East."

"And if Washington can't, we get our butts shot off."

"I can assure you Washington has no intention of your getting your butts shot off. If we wanted to we could waste Lebanon in 10 minutes. Okay, you know all you need to as to what your mission is. Now remember, men, hold your fire. As a peacekeeping force you can't afford to get mad at anybody."

Champagne Dancing

The Associated Press

NEW YORK — American Ballet Theater said that the makers of Don Perignon champagne will donate $200,000 in support of opening night "Cinderella" fund-raising galas for the financially troubled ballet company in six U.S. cities, starting with the ballet's premiere in Washington in December.

When It's Tom Mix Time at DuBois

By Henry Mitchell
Washington Post Service

DuBOIS, Pennsylvania — The United States is in one hell *of a state if you have to explain* who Tom Mix was, and this small city oot from Pittsburgh hopes that a few more years of annual Tom Mix Festivals will illuminate even the dimmest corners of the United States.

Not to split hairs, Tom Mix was the most radiant of movie cowboys, with the cleanest western jaw and the steadiest eye and hand, to say nothing of his horse that could stomp bad guys and could swim into a raging torrent to fetch back a baby in a basket headed for the falls.

"I used to get into fights about him," said Dr. Richard F. Seiverling of Hershey. "I was an orphan and maybe Tom Mix in those Saturday afternoon serials was a surrogate father or something. I couldn't have found a better. I didn't have a horse till I was 45 years old, but I had a stick and galloped around with it playing Tom Mix and I wouldn't let anybody else say a word against him."

There is no telling how many million mature persons around the world still know the Tom Mix club password (from radio days), which begins Ral and the other kid says Ston, a delicate allusion to Ralston, the cereal company that sponsored him.

Until fairly recently Seiverling was like all the other Tom Mix fans, minding his business at his job with the Pennsylvania education department and dandling his grandchildren, but then came the year 1980, centennial of Tom Mix's birth, and it was too much. Like his hero, Seiverling does not use bad words but he knew that "come hell or high water" there was going to be a Tom Mix celebration that year, and there was, and there has been ever since.

The town takes to the streets, jeans and western garb, plus the largest display of great-aunts and hearty bakers of funnel cakes this side of Dutch Heaven. The center of the huhbuh on Brady Street, the main drag, is the Paradise Gulch Saloon. "Don't you go in there," roared a mother to a knee-high investigator heading for the den of iniquity. "You stay right here with Grandpa."

Tom and pardner in 1921.

Outside the streets were solid with impromptu stands selling Polish and Italian sausages. "Don't Pinch the Ping Pong Balls," said one sign, and "No Loitering, No Pets" said a rather unfriendly sign at the General Pershing Hotel, where a rare example of violence had occurred Thursday night right there on Brady Street where the bar is graced with an 1880-type curved bay window with stained glass on top and clear glass beneath. "This young fella got mad because they wouldn't serve him — oh, yeah, he was good and drunk, that's why — and he busted that big window with his fist, which is why it's all plywood now," said a girl in the hotel.

Next door is the Playhouse where you could see William S. Hart in "Tumbleweed," and while it was okay (the hero held the villain under water in the town horse-trough until he apologized to a little boy and his dog, both of whom he had treated rudely) it was the Tom Mix films everybody really liked.

"Death of a Traitor" was about this Indian who had left his tribe because these white guys were using him, see, to get control of tribal land, and Tom Mix was on to them. The Indian — well, you had to be there. This film, like most of the roughly 370 Tom Mix made between 1910 and 1935, showed the cowboy tough, generous to a fault, a straight shooter in all respects.

Lord, yes. Tom was absolutely open, absolutely clean, and a good-looking son of a gun with black hair. He did all his own stunts. He rode old Tony, his horse, across a 30-foot wide canyon in one movie ("Three Jumps Ahead" in 1923) and a cliff fell on both of them in another movie when dynamite went off too soon. Tony was a glorious horse, but he did keep falling on top of Tom Mix in real life, and the cowboy had so many broken bones (his shoulders were wired together for a whole year after one accident) that you could acquire a drawing showing where all his wounds were, each one numbered, with legends explaining how each one happened.

For all his cleanness on the screen — never smoke or drank or used a bad word — Tom Mix had human foibles. When he died (his yellow Cord failed to take a detour on the road at Florence, Arizona, in 1940, and a piece of luggage sailed up and broke his neck) the U.S. Army refused to provide a flag for his coffin since Tom Mix had been a deserter.

A harsh word. Tom Mix was in the Army about four years at the turn of the century and everything was okay till he fell in love with and married a schoolteacher. Some say (and all true believers know) she gave him a hard time and besides her father didn't think Tom Mix was good enough for her, and what with all these pressures Tom Mix did sort of go AWOL and didn't return.

He had five wives in all. It wasn't Tom's fault, really. Women couldn't leave him alone and that is God's truth.

At his peak, a peak that went on for years and years, since Tom Mix was still making movies when he was nearly 60, and still using no stunt men, he made $17,000 a week, the highest paid star of the 1920s, and the savior of Fox (later 20th Century-Fox), which everybody in Hollywood called Mixville.

Tony, the Wonder Horse, came to be known as Tony Senior. There were two other Tonys, one of them a white Arabian, who was all right, but Tony (who was put out to pasture and who died at the age of 33, two years to the day after his master) was something else. Chestnut sorrel with white socks and a frontal blaze ending at the top in a great distinctive diamond shape.

The parade got going an hour late because some of the bands couldn't get there on time.

A wonderful Tom Mix look-alike headed it on his horse, followed by Slim Binkley, who for some years was Tom Mix's valet. Slim's horse made an astonishingly impressive pile of droppings in front of the Courier Express building with its Romanesque sandstone arches, and no matter what they say about American youth a vast number of trombone players in a number of bands managed not to step in it, without losing beat or general snappiness of march.

"This gets tiresome," said Essie Quinn, one of dozens of townspeople who work all year on the festival, as she and a friend lugged a nail keg around for donations to meet the expense of getting the school bands to town. These ladies were dressed in burlap, and when not marching about with the keg, they usefully scooped up after horses.

Tom Mix's daddy ran the stables for old Mr. DuBois, who was the big man in the lumbering operations around here, and Tom was born just up the road at Mix's Run, named for Amos Mix, his great-grandfather.

Over coffee Richard Seiverling said it used to tee off Tom's mother when he claimed his mother was Cherokee Indian.

"Didn't have a drop of Cherokee in him. His daddy was English, his mother was Dutch German. And Tom did exaggerate. All that bull about the Boer War and riding up San Juan Hill."

The lights of the Playhouse dimmed. Tom Mix in "The Miracle Rider." Three boys, 5 to 8 years old, raced up and down the aisles every nine minutes. "Don't you remember that?" an old-timer said later. "You got so excited you had to go, bitterly begrudging every minute."

The sound left much to be desired, as if the track were on an old record and it took a while to grind it up to full speed. But the theater was utterly perfumed with popcorn. You got extra butter free. Coffee was 15 cents.

Never mind the AWOL and the five wives and a period of drinking too much and the tax evasion case (they sent Tom's accountant to jail) and a few fibs (he swore he was born in El Paso) and all that. Life is one thing, art another. You don't hear people yammering about Goethe because he married his cook, or Marlowe because he died in a tavern brawl. What's left, at the last, is the readiness, the sparkling bravery, the image — the illusion, if you insist — of the best old boy there ever was in all America.

PEOPLE

Finder, 16, Is Allowed To Keep Lost Jewels

A 16-year-old orphan who stumbled on a cache of diamonds, gold watches and rings valued at $1.3 million says he plans to buy a "dream house" for his aunt and a car for himself now that he has been told he can keep the loot. **Eric DeWild** found the 69 pieces of jewelry six months ago in a plastic bag lying beside some railroad tracks near his home in Los Angeles. The police were required by law to hold the valuables — including a 15-carat diamond valued at $100,000 — for 180 days to give the owner a chance to claim it. DeWild went to the police station Tuesday with his aunt and legal guardian, **Eva Trost**, his attorney, **Charles Morgan** of North Miami Beach, and officials of the Northern Trust Bank of Florida, guardian of DeWild's property until he turns 18, to claim his find.

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James Baldwin, recovering from a minor heart attack, could return to his teaching duties as a visiting professor in western Massachusetts as early as next week, school officials say. The writer was reported in satisfactory condition at Cooley-Dickenson Hospital in Northampton, Massachusetts.

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Eric Clapton, Bill Wyman, Jimmy Page, Stevie Winwood and other rock stars staged a three-hour super-session in London's Royal Albert Hall to help out an old pal crippled by a muscular disease and thousands of his fellow sufferers. The sold-out concert was the first of two charity shows that are expected to raise £1 million ($1.5 million) for victims of multiple sclerosis and charities patronized by **Prince Charles**, heir to the British throne. Tuesday's show was a favor to **Ronnie Lane**, 38, onetime guitar player with **Rod Stewart's** band, The Faces, who was sidelined by multiple sclerosis three years ago. Another show Wednesday was for Prince Charles's trust fund for deprived children. . . . **Gene Kelly** will host the Royal Variety Show for **Queen Elizabeth II** Nov. 7 at London's Theatre Royal, impresario **Louis Benjamin** announced. The £500,000 extravaganza will also feature **Twiggy** and her dancing partner, **Tommy Tune**, who will leave their Broadway hit "My One and Only" for the night to fly to London for the show.

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